GENERAL MOTORS 1988 ANNUAL REPORT

GM: READY FOR THE NINETIES

A team at B-O-C Orion Assembly Center uses probe and coordinate measuring machine to verify dimensional integrity of subassembly.

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ABOUT OUR COVER: The all-new 1990 Chevrolet Lumina mid-size sedan, which also introduces the Product Portfolio following page 16, made its debut in January at the North American International Auto Show in Detroit.

As the decade of the Nineties approaches, a strengthened GM is well positioned for the challenges ahead.

This Annual Report highlights GM's growing competitive strength – in terms of exciting new products, improved quality, reduced costs, technological leadership, and a renewed sense of partnership among employes worldwide. This progress is exemplified by the GM Mark of Excellence, the true symbol of commitment to product superiority and customer satisfaction.

GM is a far stronger corporation today because of the massive rebuilding that has taken place during the 1980s. A special report on this effort begins on page 4.

HIGHLIGHTS

(Dollars in Millions Except Per Share Amounts)	1988	1987	1986
Sales and Revenues			
GM, excluding GMAC	$110,228.5	$101,781.9	$102,813.7
GMAC and other financing and insurance operations	10,667.9	10,932.4	11,335.5
Other income	4,913.9	3,912.3	2,863.0
Intersegment transactions	(2,168.7)	(1,756.2)	(1,402.3)
Total	$123,641.6	$114,870.4	$115,609.9
Worldwide Factory Sales of Cars and Trucks (units in thousands)	8,108	7,765	8,576
Net Income			
Amount	$ 4,856.3*	$ 3,550.9	$ 2,944.7
As a percent of sales and revenues, excluding GMAC	4.4%	3.5%	2.9%
As a percent of average common stockholders' equity	14.6%	11.3%	9.8%
Earnings attributable to:			
$1-2/3 par value common stock	$ 4,413.1*	$ 3,178.9	$ 2,607.7
Class E common stock	$ 160.3	$ 139.1	$ 136.2
Class H common stock	$ 256.9*	$ 219.2	$ 190.0
Earnings per share attributable to:			
$1-2/3 par value common stock**	$7.17*	$5.03	$4.11
Class E common stock	$3.15	$2.65	$2.13
Class H common stock	$2.01*	$1.67	$1.48
Taxes			
United States, foreign and other income taxes	$ 2,102.8	$ 857.6	$ 611.1
Other taxes (principally payroll and property taxes)	3,594.8	2,904.8	3,431.6
Total	$ 5,697.6	$ 3,762.4	$ 4,042.7
Investment as of December 31			
Book value per share of common stocks:			
$1-2/3 par value common**	$48.92	$44.55	$41.54
Class E common	$25.08	$22.83	$21.28
Class H common	$24.48	$22.30	$20.79
Number of Stockholders as of December 31 (in thousands)			
$1-2/3 par value common and preferred	812	830	868
Class E common	423	438	456
Class H common	489	506	540
Average Number of Employes (in thousands)	766	813	877

*Includes the effect of an accounting change of $224.2 million of which $218.1 million, or $0.35 per share (post-split), was applicable to $1-2/3 par value common stock and $6.1 million, or $0.05 per share, was applicable to Class H common stock.

**Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 6, 1989, payable to $1-2/3 par value common stockholders on March 31, 1989.

MESSAGE TO STOCKHOLDERS

February 14, 1989

GM earned a record $4.9 billion in 1988 as long-term strategies for reindustrialization began to have a growing bottom-line impact. Car and truck sales were strong. Cost reduction targets were exceeded.

We are very pleased with GM's performance in 1988 as our efforts to achieve a strong, consistent pattern of profitable growth continued to take hold. Sales and revenues reached a record $110.2 billion, and GM earned a record $4.9 billion, up 37 percent from 1987. Fourth quarter net income of $1.4 billion set an industry fourth quarter record. Our year-to-year earnings improvement is the result of the efforts of the entire GM team to build outstanding vehicles and cut costs.

Taking note of this improvement, your Board of Directors on February 6, 1989 increased the dividend on all three classes of GM common stock and approved a two-for-one split in the form of a 100 percent stock dividend on the $1-2/3 par value common stock. Earnings per share attributable to the $1-2/3 par value common stock were a record $14.34 (or $7.17 per share post-split), compared with $10.06 (or $5.03 post-split) in 1987.

The Corporation's turnaround—which began some time ago in terms of product quality, customer service, manufacturing efficiencies, and other key elements of GM's reindustrialization and strategic redirection—is beginning to show increasingly on the bottom line. With its accelerating momentum, GM is well positioned to achieve its ultimate objective of strong profitability today and industry leadership into the 21st Century.

A discussion of GM's strategic programs and our continued progress toward our objectives can be found on pages 4 through 8 of this Report.

INCREASED SALES

By nearly every measure, 1988 was a good year for GM. Worldwide factory sales to GM dealers increased 4 percent from a year earlier. On a retail basis, GM dealers in the United States registered strong sales for a combined car and truck market share of 35.2 percent in 1988, a gain of one-half point. Truck sales were exceptionally strong, reaching a new GM record of 1.74 million units in the United States.

Although still below desired levels of profitability, GM's North American operations achieved substantial profit improvement and made significant progress in terms of both product competitiveness and operating efficiency. Our primary goal in North America is to profitably raise GM's market share, and that will require continued product innovation, quality improvement, cost reductions, and effective marketing programs.

Overseas operations performed extremely well for the second consecutive year, establishing a new earnings record of $2.7 billion, up from the previous record of $1.9 billion a year earlier.

GM's results also included record sales and earnings achieved by Electronic Data Systems Corporation and GM Hughes Electronics Corporation. General Motors Acceptance Corporation's earnings declined to $1.2 billion but were the second highest in its history.

GM's net income for 1988 included $0.35 per share of $1-2/3 par value common stock (post-split) resulting from an accounting change described on page 17.

TEAMWORK AND TECHNOLOGY

Throughout the year, we continued to make important progress in the marriage of teamwork and technology that has become a focus of GM's strategic redirection.

Building on the more cooperative relationship between management and employes, we have implemented a far-reaching Quality Network as the focal point of our ongoing efforts to become a high-quality, low-cost producer of the products that customers value most. The Network represents a joint effort by the Corporation and the UAW and other unions to draw all our people—both hourly and salaried—into the process of quality and productivity improvement that will assure a more competitive GM for the benefit of all.

NEW CARS AND TRUCKS

Nearly a decade ago, GM began the most massive program of facilities modernization and rebuilding ever undertaken by any corporation. With that program now virtually complete, we have turned our attention to the introduction of a new generation of distinctive GM cars

Roger B. Smith *Robert C. Stempel*

and trucks that meet world-class standards of quality, styling, safety, reliability, fuel efficiency, performance, and value. Increasingly, we are seeing real impact in the marketplace from these introductions. The Chevrolet Corsica/Beretta, introduced in 1987, is now the best-selling compact in the United States.

In the 1988-89 model years, we will have introduced more new or restyled products than in any other two-year period in GM's history. The acceptance of our all-new mid-size coupes—Pontiac Grand Prix, Oldsmobile Cutlass Supreme, and Buick Regal—has been very encouraging. In addition, GM is the only manufacturer in the world to have four of its products on the top-10 best-selling list in the United States for 1988.

New or restyled GM vehicles being introduced during the 1989 model year include: Chevrolet Lumina, a 1990 model, the first sedan in our all-new line of mid-size cars; a five-door hatchback model of the Chevrolet Corsica; new, enlarged Cadillac DeVille and Fleetwood luxury cars; the extensively redesigned Buick Riviera personal luxury car; 1989 and 1990 models in our new Geo line; and 1990 model all-new front-wheel-drive passenger vans from Chevrolet, Pontiac, and Oldsmobile.

Beginning with the 1989 model year, most of GM's cars and light-duty trucks sold in North America are covered by our new "Bumper to Bumper Plus" warranty. Cadillac models have even more extensive coverage. These improved and simplified warranties reflect the higher quality of our products. They provide a tangible demonstration of our confidence in our products and our commitment to provide customers with total satisfaction.

Moreover, our major quality strides are gaining critical recognition. One example is a 1988 survey by J. D. Power & Associates, which found that Cadillac, Buick, and Oldsmobile are among the 10 most trouble-free cars sold in the United States—the only American nameplates in the top 10.

COST REDUCTION AND CAPITAL STRENGTH

GM's performance in 1988 also benefited from the continued implementation of our aggressive cost reduction programs. Costs were reduced by $4.8 billion in 1988, surpassing our Action Plan objective of $4.0 billion. Costs have now been trimmed by a total of $8.5 billion over the past two years. Our goal is to cut between $12.5 billion and $13 billion from GM's 1986 cost base by the end of 1990.

Cash flow was very strong in 1988, reflecting the Corporation's solid profitability and reduced capital expenditures. Worldwide cash and marketable securities (excluding GMAC) at December 31, 1988 totaled $6.8 billion, an increase of $2.1 billion over the previous year-end. GM's financial resources allow it to strengthen its product lines and compete more effectively now and in the future.

DEPTH OF MANAGEMENT

Another important GM strength is the breadth and depth of the Corporation's management team. Several top-level executive appointments were made in June in a move designed to broaden the experience of GM leaders. These changes represent an important step toward putting in place the next generation of leadership. Another top-level appointment was made this February following the nomination of Vice Chairman Donald J. Atwood as Deputy Secretary of the U.S. Department of Defense. We all wish him well as he leaves the Board and closes a long and distinguished GM career.

George P. Shultz, who resigned from the GM Board of Directors in 1982 to serve as U.S. Secretary of State, returns as a Director. Dr. Thomas E. Everhart, president of the California Institute of Technology, also was elected to the Board.

PROFIT SHARING FOR EMPLOYES

In 1988, for the first time in three years, GM announced profit-sharing payments for eligible U.S.-based hourly and salaried employes. GM employes have been part of a truly great team effort to redirect GM to assure its competitive position for the future. The profit-sharing payments are further evidence that GM has turned the corner and is achieving improved results in its U.S. operations while providing job security for its employes.

As we enter 1989, many challenges lie ahead, and there is still much to do to achieve our objectives. But the momentum is building, and we are all proud of the evidence that General Motors is returning to, even exceeding, its previous levels of success. We wish to thank all GM people—customers, stockholders, employes, dealers, and suppliers—for their contributions to the Corporation's achievements.

Robert C. Stempel

ROBERT C. STEMPEL
PRESIDENT

Roger B. Smith

ROGER B. SMITH
CHAIRMAN

STRATEGIC REDIRECTION IN A DECADE OF CHANGE

1979

Frigidaire Division appliance business sold to White Consolidated Industries, Inc.

Major long-term capital spending program launched to modernize facilities and invest in new technologies to reindustrialize GM.

GM introduces line of all-new, fuel-efficient, front-wheel-drive compact cars employing body-frame integral construction.

1980

GM's worldwide TEREX earthmoving operations sold.

Plans announced to build five new automotive components plants in Europe.

GM leads industry by installing computerized engine controls in all of its gasoline-powered new cars in the U.S. to improve fuel economy and reduce emissions.

1981

Truck and bus operations reorganized into single group with primary responsibility for the design, engineering, manufacture, sales, and service of GM trucks, buses, and vans.

GM acquires equity interest in Suzuki Motor of Japan; Suzuki begins developing subcompact car (the Sprint) for sale by GM in U.S.

1982

GMFanuc Robotics Corporation joint venture formed; North American sales leader in factory-floor robotics.

GM's newest European assembly plant opened near Zaragoza, Spain.

Spectrum small car from Isuzu announced; to be sold by GM in U.S.

1983

Announcement of NUMMI, a 50-50 joint venture with Toyota to build small cars in California.

Saturn Project announced.

Buick City announced; suppliers to locate near the core manufacturing cluster so that plants can operate without inventories.

Opel Corsa/Vauxhall Nova introduced in Europe.

1984

North American passenger car operations reorganized; two self-contained car groups (Buick-Oldsmobile-Cadillac and Chevrolet-Pontiac-GM of Canada) are established.

Agreement signed with Daewoo Motors to build new small car (Pontiac LeMans) in Korea.

New innovative contract with UAW provides job protection and retraining for workers displaced by technology.

Electronic Data Systems Corporation acquired.

1985

Saturn Project becomes Saturn Corporation with commitment to create GM's first new vehicle nameplate since Pontiac in 1926.

Through acquisitions, GMAC becomes one of the largest mortgage banking companies in U.S.

Hughes Aircraft Company acquired.

1986

GM acquires Group Lotus PLC, a leader in engineering consulting and performance car manufacturing.

GM of Canada and Suzuki Motor of Japan announce joint venture to manufacture small cars and sport utility vehicles in Canada; production to begin in 1989.

General Motors South African operations sold to local management.

Capital spending reaches peak of $11.8 billion.

1987

Action Plan cost reduction program announced; target is cumulative annual cost reductions of $10 billion by the end of 1990 (later increased to $12.5 to $13 billion).

Chevrolet Corsica/Beretta introduced, first all-new products of reorganized North American Automotive Operations.

Transit bus operations sold; European heavy truck operations sold; North American heavy truck operations restructured through joint venture with Volvo; diesel engine operations restructured through joint venture with Penske Group.

Allison Transmission Division formed to serve the worldwide medium- and heavy-duty truck and military markets.

All-new Quad 4 introduced, first in the next generation of reliable, fuel-efficient, low-emission, high-performance GM engines.

New three-year UAW contract ratified by over 80 percent of those voting; provides increased job security.

Quality Network established throughout GM—focal point of joint efforts to produce the highest quality, customer-valued products.

1988

Australian automotive operations restructured through a joint venture with Toyota.

Joint venture formed in Venezuela.

Saginaw Division "Factory of the Future" nears completion.

Geo line of small vehicles launched by Chevrolet.

Almost 90 percent of GM's U.S. car lineup now converted to fuel-efficient front-wheel drive, leading the industry.

Electronic fuel injection and electronic engine control utilized on more than 90 percent of GM cars and trucks.

General Motors, during the '80s, engaged in massive restructuring and reindustrialization. Now, as it approaches the '90s and the 21st Century, GM is increasingly well positioned for the new era of worldwide competition. Here is a special report on GM's strategic redirection–the Corporation's progress to date, and the challenges that lie ahead.

This is the story of how General Motors, the largest industrial corporation in the world, undertook the most massive reindustrialization program ever attempted. Wrenching change followed, but today, as GM emerges from a nearly decade-long period of strategic redirection, its reindustrialization program is beginning to have significant impact.

Many challenges still lie ahead. Most important, the Corporation faces a need to lower costs in its North American automotive business. In fact, a current goal is to become the low-cost domestic producer and increase the Corporation's North American factory utilization rate to 100 percent by 1992.

The momentum is building. GM people are pulling together to produce world-class products. Investments in technology and new facilities are beginning to pay off. And a pattern of increased earnings is taking shape.

Meanwhile, the Corporation's underlying capital resources, as reflected by its balance sheet and its cash flow, allow it to strengthen its product offerings and compete more effectively now and in the future. And GM's team of more than 765,000 employes is the most skilled and highly trained in the Corporation's history—another competitive asset.

MANY CHALLENGES STILL LIE AHEAD. THE MOMENTUM IS BUILDING. GM PEOPLE ARE PULLING TOGETHER TO PRODUCE WORLD-CLASS PRODUCTS. INVESTMENTS IN TECHNOLOGY AND NEW FACILITIES ARE BEGINNING TO PAY OFF. AND A PATTERN OF INCREASED EARNINGS IS TAKING SHAPE.

SEVERE CHALLENGE TO U.S. INDUSTRY

Why did GM, long considered one of the most successful corporations in the world, even need to change?

GM faced a host of severe challenges which were reshaping the auto industry: imports were growing; customer expectations were rising; excess worldwide manufacturing capacity was beginning to develop; technology was altering the way cars and trucks were built; and economy-of-scale efficiencies that contributed to GM's success were reduced somewhat in a worldwide market that was fragmenting into smaller, specialized product niches. GM foresaw more competition, not less, in an environment of increasingly rapid change. The critical question faced by GM was not one of market share near-term, but of the Corporation's very survival as the worldwide industrial leader long-term.

STRATEGIC REDIRECTION

It was from this concern that GM's strategic vision was born—a vision to renew GM's competitiveness for the long term by rebuilding the world's largest industrial corporation from the inside out.

As a new GM management team took charge on January 1, 1981, it took up the challenge of implementing a strategic redirection. From the beginning, it was clear that GM's success depended on achieving a number of critical objectives, including:

- improved product quality;
- reduced costs;
- modernized plants and facilities;
- technological leadership; and
- a more effective relationship with employes.

Fundamental change of this nature would require both time and a significant investment of capital. Once the change was accomplished, however, management believed that it would position GM to compete profitably and maintain its world leadership position well into the 21st Century.

GREATER OPERATING FLEXIBILITY

One of the first actions taken was a major structural reorganization. Over the years, decision-making at GM had become increasingly centralized. Yet, in the new global environment, operational flexibility and an ability to respond quickly to customer requirements were of paramount importance—and these priorities often clashed with a centralized structure.

In the first of a series of far-reaching organizational restructurings, GM's truck and bus operations were realigned in July 1981. A new truck organization was formed with primary responsibility for the design, engineering, manufacture, sales, and service of GM trucks, buses, and vans worldwide. Major goals of this realignment were to improve operating efficiency and move decision-making and accountability closer to the operating level.

At about the same time, GM began reorganizing its overseas operations. Included were the consolidation of engineering and manufacturing operations in Europe and the refocusing of Latin American operations through the Corporation's highly successful subsidiary in Brazil. The overseas reorganization was supported by a major new investment initiative to modernize facilities, improve product quality, and reduce costs. Subsequently, GM restructured its Australian automotive operations through a joint venture with Toyota. Today, the payoff from overseas restructurings and investments is clear, with earnings of international operations having surged to successive records of $1.9 billion in 1987 and $2.7 billion in 1988.

Beginning in late 1981, four of GM's component divisions were consolidated into two units. Then, in the most sweeping change of all, GM's North American passenger car operations were restructured in 1984 to move business decisions closer to centers of operational responsibility and improve GM's ability to respond quickly to changing customer needs. Under the new structure, passenger car operations were reorganized into two self-contained business units, Buick-Oldsmobile-Cadillac and Chevrolet-Pontiac-GM of Canada, each with total responsibility for its own products, including engineering, manufacturing, assembly, and marketing.

GM CONTINUES TO BUILD ON THE RESTRUCTURING OF ITS PASSENGER CAR OPERATIONS. THE FIRST OF GM'S ALL-NEW VEHICLES DESIGNED BY THE RESTRUCTURED UNITS WAS THE CHEVROLET CORSICA/BERETTA, WHICH QUICKLY ESTABLISHED ITSELF AS THE BEST-SELLING COMPACT IN AMERICA.

RESULTS OF RESTRUCTURING

Today, GM continues to build on the restructuring of its passenger car operations. The first of GM's all-new vehicles designed by the restructured North American business units was the Chevrolet Corsica/Beretta, introduced in 1987. With its improved quality, sleek styling, and $1,000 to $2,000 price advantage over comparable imports, Corsica/Beretta quickly established itself as the best-selling compact in America—domestic or import. Next came GM's new line of full-size pickup trucks and a new line of mid-size coupes, the Buick Regal, Oldsmobile Cutlass Supreme, and the Pontiac Grand Prix.

Meanwhile, each of the passenger car business units has been pursuing aggressive cost reduction objectives, focusing on a major program of product simplification aimed at lowering costs and improving quality. Included are a reduction in the number of models offered and a reduction in option variations.

EMPHASIS ON JOINT VENTURES

Concurrent with its major internal restructuring, GM established innovative relationships with a number of industrial and technology companies. Between 1980 and 1988 more than 50 joint venture and partial ownership arrangements were established worldwide. Again, the objective was to develop more innovative and flexible ways of doing business.

Joint ventures have been employed by General Motors to restructure operations (such as diesel engine and heavy-duty truck operations), gain more product sources (such as small cars from Korea and Japan), and develop new technologies (such as robotics). GMFanuc Robotics Corporation, formed in 1982, is already the North American sales leader in factory-floor robotics.

NUMMI, a joint venture with Toyota in California, was created in 1983 to produce small cars using Japanese manufacturing techniques. In addition to being a profit center and source of product in its own right, this venture has proved enormously important to GM in helping the Corporation's managers gain first-hand experience in the worker-participation management techniques used by Asian auto manufacturers.

MODERNIZING FACILITIES

GM's manufacturing and assembly facilities modernization program, now virtually complete, is another major element of the Corporation's reindustrialization. This bold program is the largest single capital spending effort ever undertaken by any corporation in the world.

So far this decade, of the nearly $70 billion in worldwide capital spending (more than the assets of most *Fortune* 100 companies), GM has built nine new assembly plants and has modernized, or is currently modernizing, 19 assembly plants and 12 stamping plants. At the same time, older, less efficient facilities are being closed.

Now, it is becoming more evident every day that the payoff on these investments is real and beginning to grow. For example, there were problems starting up GM's new plants, notably at the Detroit/Hamtramck Assembly Center that opened in 1985. It introduced a highly automated assembly line with automatic checking stations—unlike anything done before. It was a learning experience for the machine tool and computer suppliers and for the work force, which lacked the computer literacy the new technology required. The solution was to stop, train, and restart, sharing what was learned so other new GM plants would have smoother startups. Outside GM and across U.S. industry, others also benefited from the experience GM shared. As for Detroit/Hamtramck itself, it is now one of our most improved assembly facilities in terms of product quality.

LEADERSHIP IN TECHNOLOGY

By the late 1970s, it was clear that technology was the wave of the future in the auto industry. Technology not only promised major benefits on the production line, permitting quality vehicles to be manufactured more efficiently, but also the technological content of vehicles themselves was certain to increase.

GM was already making extensive use of technology—using more computers, for instance, than any other company or organization in the United States except the Federal Government. The best way to extend this lead, management decided, was not only to continue to develop technology in-house, but to go out and buy the best technology in the world.

This determination led to a number of smaller high-technology acquisitions as well as two major ones: Electronic Data Systems Corporation in 1984 and Hughes Aircraft Company the following year. EDS and Hughes are important building blocks in GM's reindustrialization. Each has posted record earnings each year since its acquisition.

Continuing to operate as a highly successful independent subsidiary, EDS has made major contributions in integrating GM's data processing and communications facilities and developing cost-saving technology for GM factories. Hughes, a leader in advanced electronics, brings to GM a wide-ranging expertise in systems engineering that can be applied to cars and trucks. One of Hughes' biggest contributions has been the real-time large-scale simulation of an entire computer-integrated plant—prior to actual operation—to facilitate a smooth startup. In addition, GM and Hughes are working on nearly 150 projects to develop innovative technology for cars and trucks. Fruits of this joint effort have already included head-up display systems and control systems for anti-lock brakes.

Yet another development made possible by GM's acquisition of Hughes has been the creation of an automotive simulation laboratory where computer programs allow engineers to check how components and systems perform under varying and extreme conditions. This improves our ability to predict how automotive components will perform in actual situations.

GM's commitment to technological leadership is also indicated by the fully automated Vanguard "Factory of the Future" in Saginaw, Michigan. Nearing completion, this unique experimental facility is a laboratory for tomorrow's manufacturing technology. GM's goal is to develop technology at Saginaw for use at other GM facilities.

PEOPLE ARE THE ULTIMATE KEY TO OUR SUCCESS. A CENTRAL FOCUS, THEREFORE, IS TO MAKE OUR WORK FORCE THE MOST COMPETITIVE IN THE WORLD—THROUGH A SENSE OF SHARED OBJECTIVES AND PROGRESSIVE EMPLOYMENT PRACTICES THAT MAKE THE BEST USE OF THE TALENTS OF ALL GM PEOPLE.

EMPLOYES AS PARTNERS

Over the past eight years, the sometimes disruptive changes brought about by GM's strategic restructuring have fallen hardest on GM people. GM has reduced its worldwide work force by nearly 100,000 since 1981 as part of its ongoing efforts to cut costs and improve the Corporation's competitiveness. Where possible, GM has sought to accomplish these reductions through attrition and voluntary early

retirements. For employes who have been laid off, GM offers extensive income support and job retraining programs. In fact, the UAW and GM have jointly committed more than $805 million to education, training, and retraining programs since 1984. This figure is in addition to the money each plant sets aside for training in its own budget. It is also in addition to what GM spends on programs with other unions representing hourly employes and on the training and development of salaried employes. The total commitment comes to more than $1.3 billion since the beginning of 1984, which makes GM the country's largest privately funded educational and training institution. GM believes that the value of this commitment already has been demonstrated and that it will continue to be essential to our future success.

WHAT ARE THE LESSONS OF GM'S REDIRECTION? MOST IMPORTANT IS THE REALITY THAT A CORPORATION MUST CHANGE IF IT IS TO SURVIVE. GM REMAINS DEEPLY COMMITTED TO A VISION OF BEING THE WORLD PREMIER AUTOMOTIVE CORPORATION PRODUCING THE WORLD'S GREATEST CARS AND TRUCKS.

At the same time, these changes have reinforced the enduring truth that our people are the ultimate key to our success. A central focus of GM's strategic programs, therefore, is to make its work force the most competitive in the world—through a sense of shared objectives and progressive employment practices that make the best use of the talents of all GM people, hourly and salaried. Going forward, we are putting in place a process which will encourage better communication with our salaried employes.

This spirit of partnership and communication is exemplified by GM's excellent relationship with its represented employes. For example, the agreement signed in the U.S. with the UAW in 1987 expands on previous UAW-GM cooperative efforts to make the Corporation's facilities more competitive. Such efforts are coordinated through the Quality Network, dedicated to producing the highest quality, customer-valued products.

Progress toward a more cooperative and productive relationship with employes is being made, and its continuance is one of GM's highest priorities.

SATURN CORPORATION

This increased emphasis on participatory management, technological leadership, and customer responsiveness comes together in Saturn Corporation, launched in January 1985 as the first new GM nameplate since Pontiac in 1926. Saturn is important to GM not only as a new source of product and sales, but also for the fresh perspectives it is providing on the automotive business. Saturn was started as a blank sheet on which GM's most talented people would employ the most innovative concepts and best technology to create a totally new automobile company with products targeted toward the import buyer. Moreover, Saturn is a separate company with the same freedom and entrepreneurial spirit as EDS and Hughes.

Key to the Saturn approach is participatory management. Saturn's labor agreement gives production workers a voice in the daily operation of the company and includes a pay-for-performance concept that will provide profit sharing based on the company's earnings. Saturn is currently on track toward initial production in mid-1990 leading to an annual volume of 250,000 units when fully operational.

COMMITMENT TO CHANGE

What are the lessons of GM's strategic redirection?

Most important is the reality that a corporation, like any living thing, must change if it is to survive. In that sense, reindustrialization is not a one-time event. It's an evolution. GM is a vastly different, more competitive corporation than it was just a decade ago. Yet, there is still a great deal of work to be done to improve the Corporation's cost structure, strengthen the competitiveness of its divisions, continue to mobilize the talents of GM employes, and profitably increase market share in North America. To remain competitive in the future, it's also critical to accelerate the rate of quality improvement and technology innovation directed at customers' needs.

At the same time, GM's reindustrialization carries an important message for America: It *is* possible for the U.S. industrial sector to compete in today's challenging global markets. Many companies besides GM are successfully reindustrializing, and these companies seem to share certain common traits, including people working together, a commitment to capital investment, leadership oriented to the long term, and a willingness to accept short-term sacrifice.

General Motors remains deeply committed to a vision of being the world premier automotive corporation producing the world's greatest cars and trucks—a corporation that, by the mid-1990s, will be fully prepared for the 21st Century. Through its strategic programs, General Motors will continue to direct its efforts to achieving that vision.

LISTENING TO OUR CUSTOMERS

For General Motors, customer satisfaction is the master plan. We recognize that the customer is the ultimate judge of our products and that we can succeed only by satisfying customers' preferences and demands. We are listening intently to our customers and are responding with quality vehicles that offer value in today's competitive marketplace.

Quality, value, and responsiveness are the keys to total customer satisfaction for General Motors.

CUSTOMER SATISFACTION

In 1988, General Motors continued to take a number of steps to improve the total ownership experience of our customers.

"BUMPER TO BUMPER PLUS"

Our improved and simplified warranty, the three-year, 50,000-mile "Bumper to Bumper Plus," provides the strongest complete vehicle coverage GM has ever offered. More than two-thirds of the people we surveyed said they preferred this complete coverage to the six-year, 60,000-mile powertrain warranty offered previously. The new warranty covers every part, including such systems as air conditioning, steering, suspension, and electronics. Tires will continue to be covered by the tire manufacturer's warranty. A $100 deductible continues with the new coverage, after the first year or 12,000 miles of operation. The corrosion protection warranty for six years, or 100,000 miles, and the five-year, 50,000-mile emission systems warranty remain unchanged. Normal maintenance, such as oil change and lubrication, continues to be the owner's responsibility.

INNOVATIVE FINANCING

Buying or leasing a car should be easy. General Motors Acceptance Corporation, GM's finance subsidiary, has developed an array of innovative programs to serve customers better. These include special first-time car buyer plans and pre-approved credit for selected customers considering the purchase of a GM vehicle. GMAC's new "SMARTLEASE℠" program is aimed at the growing numbers of Americans who lease rather than buy. SMARTLEASE enables the customer to lease a new GM car or light truck with low monthly payments, a guaranteed purchase price for the vehicle when the lease expires, and the ability to drive more car for the money.

GMAC FINANCIAL SERVICES

CADILLAC'S 24-HOUR ROADSIDE SERVICE

In a first for the domestic auto industry, Cadillac now offers nationwide 24-hour emergency roadside service for owners of its cars. "Cadillac Roadside Service," available by calling a toll-free 800 number, provides access to specially trained service technicians seven days a week, 365 days a year. The service is available without enrollment cost to owners of all Cadillacs, regardless of model year.

CRITICAL ROLE OF DEALERS

More than ever, GM and its dealers are working closely together to fulfill customers' expectations and needs. Some examples:

• Each year in the U.S. we survey over two million customers six months after they have purchased a GM vehicle to learn about their ownership experience and what they expect from our dealers.

• Dealer training programs have been strengthened. In 1988, dealer service technicians received about 190,000 days of training from GM, in addition to extensive training made available in such areas as financial management and personnel development.

• Each GM division has initiated a toll-free "hotline" that enables dealership personnel to discuss service problems with GM engineers.

• A computerized automotive maintenance system, the industry's most advanced, provides dealer technicians with access to a mainframe computer for rapid evaluation of a car's service needs.

IMPROVED CUSTOMER SERVICE

In order to achieve and maintain a world-class level of customer satisfaction, GM recognizes the need for an organized, coordinated network of communication media between its vehicle divisions and their dealers. Our goal is to provide a two-way flow of information in the most timely and efficient manner.

GM will continue to draw upon the latest available communication technologies, as it did recently when announcing the establishment of the GM Dealer Satellite Network, the world's largest private business satellite network of its kind.

Currently, more than 2,000 GM dealers subscribe to information and training telecasts in their dealerships while GM's monthly broadcasting schedules continue to explore, develop, and provide for even more comprehensive programming aimed at the dealer body.

QUALITY AND THE HUMAN PARTNERSHIP

There's a new spirit of cooperation and involvement among GM employes, with everyone pulling together on quality.

QUALITY NETWORK

The Quality Network is GM's overarching process focused on becoming a high-quality, low-cost producer of the most customer-valued products. The Quality Network was established throughout the Corporation in 1987 by GM, the United Automobile Workers and other unions to tap into the talents of every person working for and with GM. Our goal is total customer satisfaction. The Network incorporates existing quality activities and is also directed to the development of new strategies and processes covering every aspect of GM's business – including our management style, people processes, production techniques, supplier relationships, and customer service. The Network is the first truly joint process of its kind in the auto industry. By uniting all GM people in a continuous drive for the best possible product quality at competitive cost, the Quality Network offers the promise of lasting improvement in the way we manage our business and meet customers' needs.

VEHICLES THAT HOLD THEIR VALUE

Prices of vehicles in the resale market are based on buyers' and sellers' composite opinion of style, durability, reliability, quality, and performance – in a word, value. And that's good news to GM car owners because GM cars retain their value better than comparable cars from any other American manufacturer, according to auction prices reported by the National Automotive Research Black Book. After three years, for instance, a Pontiac Grand Am retained 69 percent of its original value, versus 54 percent for a competitor's comparable car. And it's even better news to GM truck owners, because GM light-duty trucks have better resale value than those of any other manufacturer selling trucks in the United States.

COMPONENTS FROM EXCELLENT SUPPLIERS

Critical to GM's quality-improvement efforts is a strong supplier network. GM's "Targets for Excellence" supplier development program emphasizes

continuous improvement in five key assessment areas of the business – quality, cost, delivery, management, and technology. One element of it is Part Certification, a process for recognizing, on a part-number basis, suppliers who have demonstrated responsibility for continuous improvement and who have successfully implemented a quality program that consistently produces products that meet customer expectations. The certification process applies equally to all GM manufacturing locations as well as to other suppliers.

FEATURES CUSTOMERS WANT MOST

In dozens of specific ways, the quality, performance, and value of GM cars and light trucks are improving. Some examples:
PAINT – Base coat/clear coat paint is standard on most GM vehicles produced in North America, ensuring richer color and a longer-lasting luster.
FUNCTIONAL INTERIORS – Ease of entry, roominess, seats that are a statement of comfort, instruments that are easy to read, and function switches at the driver's fingertips are typical.
ELECTRONIC FUEL INJECTION – Standard on more than 90 percent of our cars and light-duty trucks to improve fuel economy and lower emissions.
FRONT-WHEEL DRIVE – Now standard on about 90 percent of our product line.
FUEL ECONOMY – Outstanding in every GM car and truck for its size and engine displacement. Again for 1989, a GM vehicle – the Geo Metro – was number one in fuel economy ratings published by the Environmental Protection Agency, with 53 mpg in city driving and 58 mpg on the highway.

SOUND SYSTEMS

General Motors cars – and trucks too – feature a variety of sound systems from Delco Electronics, the nation's premier producer of automotive electronics. Delco audio systems represent a marriage of acoustic and electronic technology for the next generation. Offering features the aftermarket cannot match are the premium Delco/Bose Gold Series audio systems – AM/FM stereo radios available with cassette tape player or factory-installed, integrated compact disc player. Another advanced system available as a dealer-installed option on selected models is a digital audio tape player that provides dynamic range while virtually eliminating noise or distortion. Or how about a factory-installed cellular mobile phone with smart radio? It mutes the radio's rear speakers and routes incoming calls to the front speakers, automatically. Delco is at the forefront of sound-system technology that transforms automotive passenger compartments into studios to suit even the most discriminating customers' listening preferences.

INNOVATIVE 30-DAY FREE EXCHANGE

Using innovative programs to emphasize the quality and value of their products, two GM divisions offer exchanges to dissatisfied new car buyers. The programs, originally offered by Pontiac on its 1989 model year Grand Prix and by Oldsmobile on its 1989 Cutlass Supreme from late September through the end of 1988, have been extended through the 1989 model year. Under each program, dissatisfied buyers can return their cars within 30 days or 3,000 miles for any reason, receiving a credit equal to their purchase price that can be applied toward the purchase of another of the division's new cars. Any price differential is refunded for customers selecting a less expensive car.

Our challenge in applying technology is to affordably provide greater comfort, safety, and utility to the customer.

NEW FOR 1989 AND BEYOND

General Motors stands at the leading edge of the technological revolution in cars and light-duty trucks around the world. More than 60 separate operations in today's GM vehicles are sensed, actuated, or controlled electronically. Innovations available on selected 1989 GM models, or under consideration for the future, include:

REMOTE KEYLESS ENTRY – By means of a small transmitter attached to the owner's key ring, the car doors or trunk lid are unlocked from up to 30 feet away.

ACTIVE SUSPENSION – Actuators and microprocessors replace shock absorbers, resulting in a smoother ride and greater control for the actual road and speed conditions.

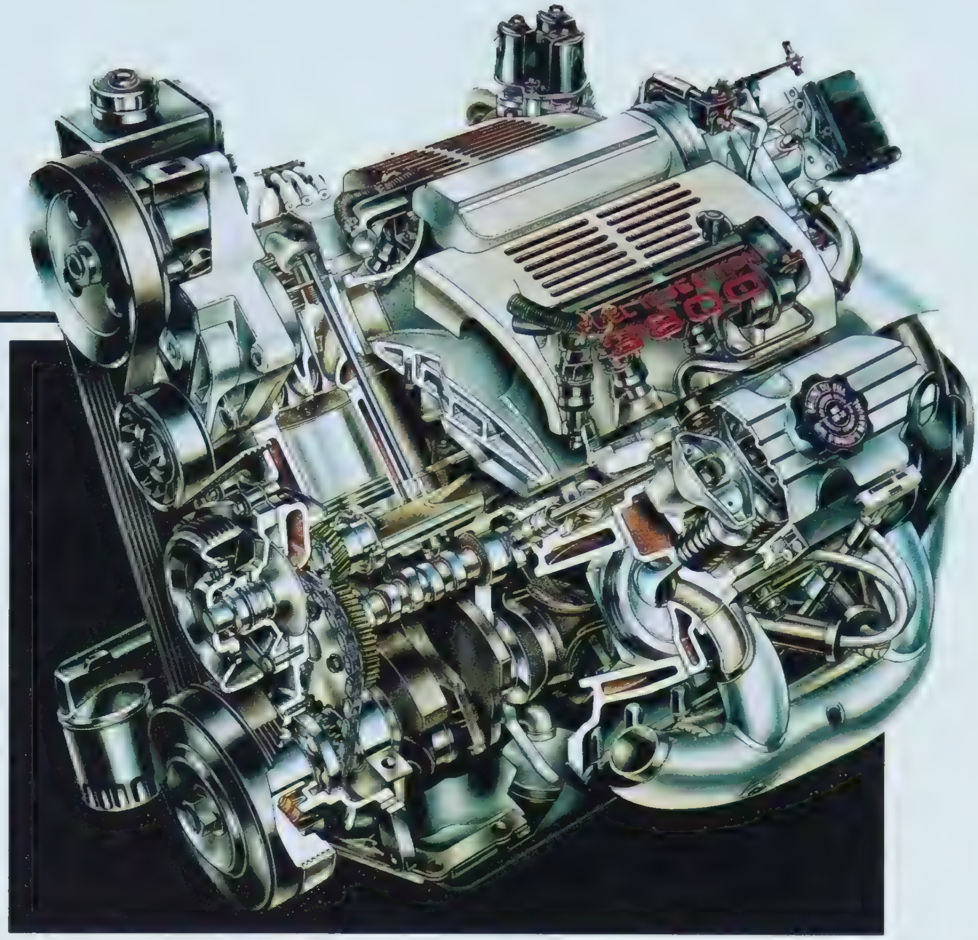
HEAD-UP DISPLAY – Allows drivers to view vehicle speed and signal indicator data without looking away from the road.

ELECTRICLEAR® WINDSHIELD – The new Electri-Clear windshield can melt one-tenth of an inch of ice three to five times faster than standard defrost systems.

NEAR OBSTACLE DETECTION SYSTEMS – Currently under development, this radar-based system would help avert accidents by detecting objects within a specified area and distance.

ANTI-LOCK BRAKES

Anti-lock brake systems are one of our most popular new features. In 1988, we sold about 575,000 vehicles with these systems, and in 1989 we expect to sell twice as many. These computer-based systems improve a driver's ability to stop without skidding, by allowing the wheels to keep turning as the vehicle slows. Anti-lock brakes are available as standard or optional equipment on selected GM passenger cars and light-duty trucks.



NEW GENERATION OF ENGINES

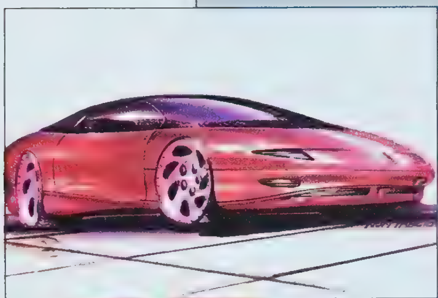
Car buyers want engines that start quickly, run smoothly, deliver top performance, and have good fuel economy. Following major investments in product development during the past several years, we are now introducing a new generation of engines that strengthen our long-standing leadership position in this area. For 1989, we have introduced a 3.1-liter V6 engine with increased horsepower and performance over the 2.8-liter engine it replaces, with comparable fuel economy. Other new engines are the 3800 sequential port fuel-injected V6 and the 3300 V6 with multi-port fuel injection, highly advanced powerplants that deliver outstanding performance and smooth, dependable operation. Nearing production in 1989 is the 385 horsepower Corvette ZR-1. Our revolutionary 150 horsepower Quad 4 – which was introduced on 1988 models – delivers an unprecedented combination of power, fuel efficiency, low emissions, and reliability. And the 4.5-liter V8, offered exclusively by Cadillac and introduced on 1988 models, continues to achieve world-class customer satisfaction and quality levels. GM remains totally committed to providing the best production engines in the world. For our customers, this means they will always be able to count on GM for the highest level of engine technology.

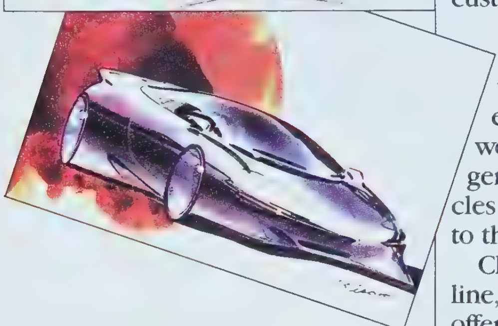
LEADERSHIP IN AUTO SAFETY

In 1988, for the 11th consecutive year, GM led the U.S. industry in cars rated the very best by the Highway Loss Data Institute, based on overall injury claim experience. Of the nine American models with the lowest overall injury loss experience, six were GM nameplates. During the past three decades, we have introduced more than 50 major safety features and hundreds of incremental changes on GM cars. New for 1989 is a unique self-aligning steering wheel, initially introduced on the Chevrolet Cavalier, that further reduces injuries when a driver strikes the wheel during an accident. Driver-side air bags are also available as an option on the Oldsmobile Eighty-Eight and Ninety-Eight sedans and the Cadillac DeVille, Fleetwood,

and Fleetwood 60 Special. These air bags are supplemental and, when used with the lap and shoulder belts, offer additional occupant protection.

A new era of design excitement, with a more distinct product identity for each of our divisions, is taking shape at General Motors.





People feel strongly about cars. They know what they like – and what they don't like. Increasingly, it takes designs with individuality and flair to win customers.

GM is listening. In returning to a more distinct product identity for each of our divisions, we are producing a new generation of quality vehicles that offer real choice to the style-sensitive buyer.

Chevrolet is GM's full-line, high-volume division, offering young families and value-conscious buyers more than they expect. Chevrolet is also attracting import shoppers with its new Geo nameplate featuring small, economical vehicles.

Pontiac continues to refine its highly successful "We Build Excitement" theme, emphasizing sporty, fun-to-drive vehicles. To strengthen this image, Pontiac has elevated each of its car lines by adding an "image car" with options that offer customers the maximum sporty look and feel.

Oldsmobile's "New Generation" continues with contemporary vehicles offering outstanding value with a solid reputation for quality and dependability. All Oldsmobiles capture a balance of innovative design and engineering excellence and technology, coupled with responsive performance.

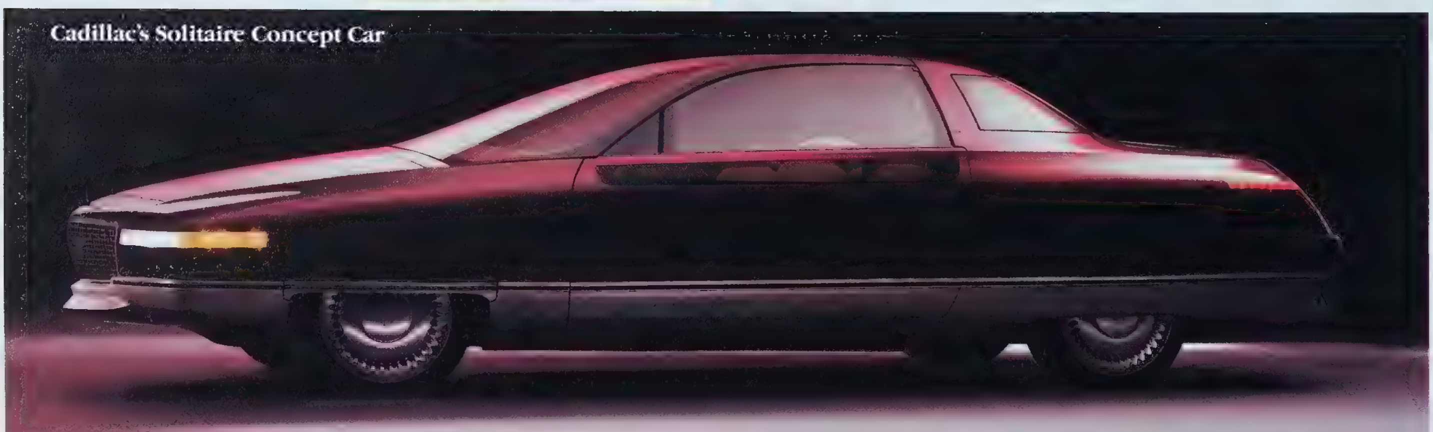
The "premium American motorcar," Buick offers distinctive and powerful automobiles for the American market. Buick is moving upscale and its models are known for their comfortable accommodation, rich detail, and a rewarding ownership experience.

Creativity is in the forefront at Cadillac with bold designs and advanced technologies that have made its products exclusive and distinctive beyond all others. The Cadillac Division aims, quite simply, to produce the finest cars in the world.

And Saturn, when production begins in mid-1990, will be a strong new entry in the battle for the import-committed buyer. It will compete directly with high-volume Japanese nameplates.

Good design is not a gimmick. It offers a vital means to attract customers and help distinguish the products of each of our divisions. Our goal is to keep GM the undisputed automotive design leader in the world.

In the following pages, we feature some of GM's exciting new cars and trucks. We invite you to visit your local GM dealer for a test drive.



Cadillac's Solitaire Concept Car

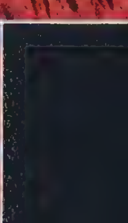
NEW EXCITING VEHICLES FROM GENERAL MOTORS

CHEVROLET LUMINA

The 1990 Chevrolet Lumina is a sleek, remarkably roomy six-passenger sedan that is the largest front-wheel-drive model the Division has ever offered. It is the first sedan in GM's newest mid-size series. An all-purpose Lumina van and a coupe will follow.

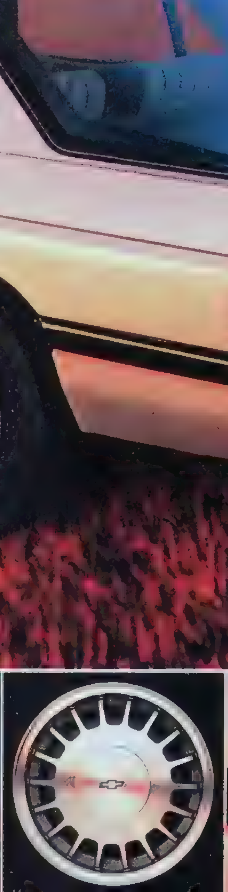
GEO PRIZM

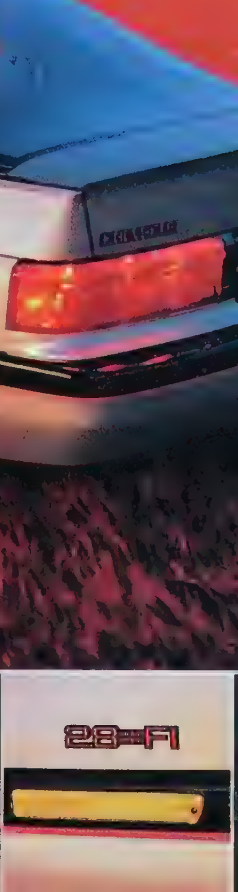
The 1990 Geo Prizm, the flagship sedan of Chevrolet's new Geo family, features sleek new exterior styling, a 16-valve twin cam engine and proven quality, dependability and reliability. It is available in four-door sedan and hatchback versions in two trim levels.



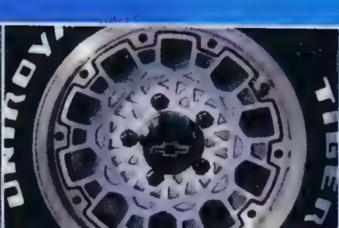
CORSICA

The hot-selling Chevrolet Corsica has expanded its model lineup by offering a hatchback sedan. This new model blends Corsica's highly successful aero design theme and the traditional utility of a hatchback accommodating five passengers in comfort.





CHEVROLET



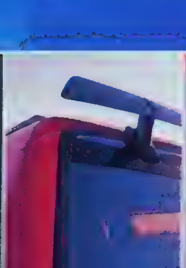
ASTRO

Chevrolet Astro 1989 passenger van models get a new standard rear-wheel anti-lock braking system, a new sport suspension package, and an eye-catching new sport appearance package. This versatile compact seats up to eight people and has impressive towing ability.

C H E V R O L E T

S-10 BLAZER

Chevrolet's 1989 high-style compact S-10 Blazer has two additional competitive advantages – standard rear-wheel anti-lock brakes and greater availability of full-size engine power with the 4.3-liter Vortec V6. The 4x4 model has Insta-Trac "shift-on-the-fly" capability.

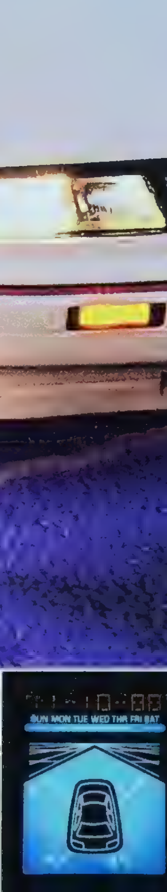


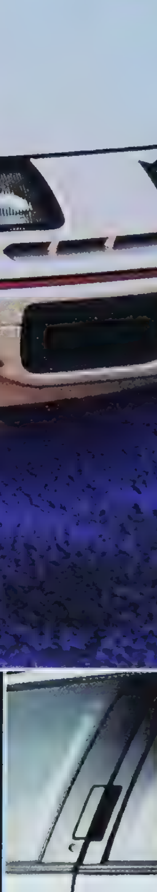
SUNBIRD

The Pontiac Sunbird is an aggressively styled, sporty, American-built car, designed to compete head-on with small domestic and imported sedans and sport coupes. Sunbird offers both day-to-day transportation and driving excitement in the same package.

GRAND PRIX

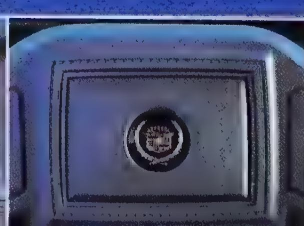
The Pontiac Grand Prix sports a combination of eye-catching good looks, driver-oriented interior features, and multi-level performance. With its sleek, contemporary styling, the Grand Prix has one of the lowest drag coefficients of any GM product ever tested.



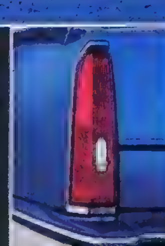


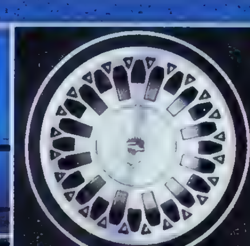
FLEETWOOD

Full-size, six-passenger luxury has never been more sophisticated than in the new, longer, totally restyled Cadillac Fleetwood. Standard features include a more spacious sedan interior, a V8 engine exclusive to Cadillac, and advanced anti-lock brakes.



CADILLAC





ELDORADO

Eldorado, Cadillac's personal luxury coupe, boasts a number of engineering refinements, including suspension modifications, a new express-down driver window, redesigned climate control, two new sound systems, and a new security system.

B U I C K

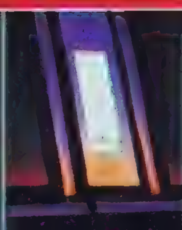
REATTA

Reatta, a luxury two-passenger car, offers an unusually long list of standard features including anti-lock brakes and a new remote keyless entry system operated with a small hand-held transmitter that fits on a key chain and operates like a garage door opener.

BUICK

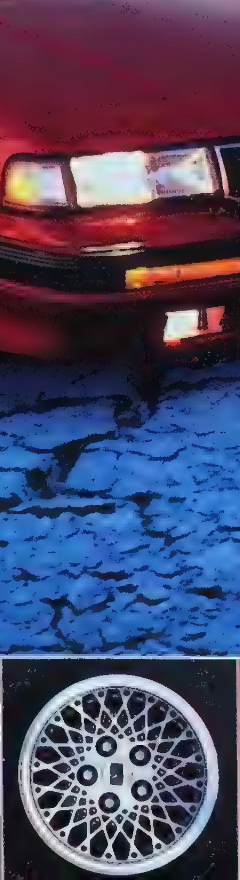
PARK AVENUE ULTRA

The Park Avenue Ultra sets a new standard with the most luxurious accommodations of any full-size Buick. Ultra exemplifies Buick's goal of providing premium American motorcars that are distinctive, substantial, powerful, and mature.



CUTLASS CIERA

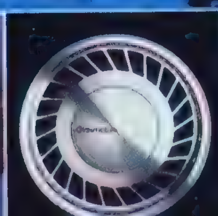
The 1989 edition of Oldsmobile's mainstream family sedan, the Cutlass Ciera, has the most extensive styling improvements since it was launched in 1982. The most significant change is a new rounded roofline and more steeply sloped rear window.

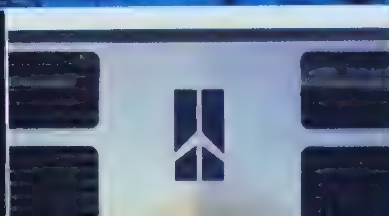


O L D S M O B I L E

TOURING SEDAN

Oldsmobile's highly acclaimed Touring Sedan is aimed at the customer who demands first-class comfort with the utmost in over-the-road handling. A Driver Information System, introduced as an option in late 1988, is standard on all 1989 Touring Sedan models.





INTERNATIONAL

HOLDEN VN COMMODORE
Holden's VN Commodore features a variety of styling and engineering refinements, including a powerful 3.8-liter port fuel-injected V6 engine and a larger interior. Holden's VN Commodore won three different "Car of the Year" awards in Australia.

HOLDEN GM BRASIL OPEL VAUXHALL

INTERNATIONAL

GM do BRASIL KADETT

The Kadett hatchback model will be launched in Brazil this year in three different versions to strengthen GM do Brasil's participation in the lower medium segment of the market. It features a modern, sporty appearance.

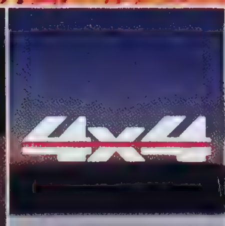
OPEL VECTRA/VAUXHALL CAVALIER

The Opel Vectra/Vauxhall Cavalier from GM Europe is a new medium-size family car available in notchback and hatchback. It offers a stylish new low-drag body style, longer wheelbase with more rear legroom, high comfort suspension, and many new options.

G M C   T R U C K

SIERRA

The GMC Sierra stands out from other pickups with its sleek good looks, roomy interior, and smooth ride that make it a pleasure to drive for work or play. It offers innovative design, excellent handling, outstanding performance, and rugged durability.



OPERATING AND FINANCIAL REVIEW

This review highlights key financial results and trends of General Motors in the context of the Corporation's strategic programs to enhance stockholder value by achieving a superior rate of return on common stockholders' equity. In 1988, GM achieved a 14.6% return, up from 11.3% in 1987.

Record Earnings

General Motors' net income was a record $4,856.3 million, or $7.17 per share of $1-2/3 par value common stock (post-split) in 1988. Compared with 1987, net income increased 36.8% and earnings per share of $1-2/3 par value common stock were up 42.5%. Sales and revenues, excluding General Motors Acceptance Corporation (GMAC), increased 8.3% to $110.2 billion.

Net income for 1988 included $0.35 per share of $1-2/3 par value common stock (post-split) and $0.05 per share of Class H common stock resulting from an accounting change, adopted January 1, 1988, to include in inventory certain manufacturing overhead costs previously charged directly to expense. This action reflected a tax law change deleting the requirement that overhead costs used for tax and book purposes be the same, permitting GM to return to the preferred accounting method used prior to 1975.

Net income for 1988 was also favorably affected by a lower statutory tax rate, a net tax credit reflecting the continuing amortization of investment tax credits earned in prior years and tax benefits, amounting to $353.9 million, or $0.58 per share of $1-2/3 par value common stock (post-split), related to the utilization of loss carryforwards at certain overseas operations.

In 1987, net income of $3,550.9 million, or $5.03 per share of $1-2/3 par value common stock (post-split), was 20.6% higher than in 1986. Net income in 1987 included the favorable effect of $1.28 per $1-2/3 par value common share (post-split) resulting from revisions in estimated service lives of certain property. Also favorably influencing net income in 1987 were a net tax credit reflecting the continuing amortization of investment tax credits earned in prior years and tax benefits, amounting to $297.9 million, or $0.47 per share of $1-2/3 par value common stock (post-split), related to the utilization of loss carryforwards at certain overseas operations. Sales and revenues, excluding GMAC, in 1987 were $101.8 billion, down 1.0% from 1986.

Earnings on common stocks as a percent of average common stockholders' equity were 14.6% in 1988 compared with 11.3% in 1987 and 9.8% in 1986. The 14.6% return achieved in 1988 closely approaches the Corporation's goal of a minimum return of 15% by 1990.

Dollar sales and revenues include price adjustments of $1.1 billion in 1988, $3.2 billion in 1987 and $4.1 billion in 1986.

Automotive Business

The automotive industry worldwide enjoyed another strong sales year in 1988. In the United States, industry sales of cars and light-duty trucks increased 4.0% over 1987 and exceeded 15 million units for the fourth year in a row.

For GM, 1988 was a year of renewed growth and improved profitability as the world automotive industry leader. Worldwide factory sales of vehicles to GM dealers totaled 8,108,000 units in 1988, up 4.4% from the prior year. GM unit sales increased 1.3% in the United States, 26.8% in Canada, and 5.9% overseas.

GM's worldwide factory sales of cars in 1988 were 5,882,000, up 1.5%. Truck sales, which account for over one-fourth of the Corporation's annual unit volume, reached a record high of 2,226,000 units, up 12.9% from 1987.

In 1987, GM's worldwide factory sales of 7,765,000 vehicles were down 9.5% from the prior year, reflecting a decline of 12.2% in the U.S. and 21.0% in Canada only partially offset by a 2.7% increase overseas. The U.S. decline resulted from a decrease of 710,000 units in passenger car factory sales.

In spite of continued intense competition, GM increased its market share of domestic automobile and truck retail sales to 35.2% in 1988 from 34.7% a year earlier. The 1987 figure was down from 38.5% in 1986.

In 1988, GM once again sold more automobiles than any other manufacturer in the world. Of the 20 top-selling cars in the United States, 10 were GM nameplates—more than twice the number of any other manufacturer. Of the 15 top-selling trucks, 6 were GM nameplates, also more than any other manufacturer.

Earnings of GM's North American operating groups increased significantly from the nominal levels of 1987, reflecting the growing impact of cost reductions, new product introductions, and other actions taken to improve profitability, enabling $114.1 million in profit sharing payments to be made to eligible U.S. employes under the new profit sharing formula. This was the first payment GM was able to make since 1985. Net income of Canadian operations increased to $396.3 million in 1988 from $42.9 million a year earlier.

Although still below desired levels of profitability, GM's North American operations achieved substantial profit improvement and made significant progress in terms of both product competitiveness and improved operating efficiency. Our primary goal in North America is to profitably raise GM's market share, and that will require continued product innovation, quality improvement, cost reductions, and effective marketing programs.

Overseas operations had another outstanding year, earning a record $2,673.7 million in 1988 compared with $1,876.3 million a year earlier. Of particular note was GM's excellent performance in Europe, where financial results have improved dramatically during the past two years following a major program of facilities modernization, new product introductions, and cost reductions. Overseas business units paid cash dividends of $1,122.7 million to GM in 1988, the first significant dividend remittance by these units since 1984.

WORLDWIDE FACTORY SALES

(Units in Thousands)	CARS			TRUCKS			TOTAL		
	1988	1987	1986	1988	1987	1986	1988	1987	1986
United States	3,516	3,592	4,302	1,661	1,520	1,520	5,177	5,112	5,822
Canada	411	344	545	327	238	192	738	582	737
Overseas*	1,955	1,857	1,783	238	214	234	2,193	2,071	2,017
TOTAL	5,882	5,793	6,630	2,226	1,972	1,946	8,108	7,765	8,576

*Includes units which are manufactured overseas by other companies and which are imported and sold by General Motors and affiliates.

Focus on New Products

To gain wider consumer acceptance and to compete more effectively for every sale, General Motors is in the midst of the largest new product introduction program in its history, introducing 17 all-new vehicles and 14 vehicles with major redesigns during the 1988 and 1989 model years. As part of this program, GM is focusing on quality improvements and the development of a more distinctive product identity for each of its vehicle divisions.

Cost Reduction Programs

Together with new product introductions and improved product quality, cost reductions are another central element in GM's strategic programs to increase earnings. In 1986, General Motors adopted an Action Plan to achieve permanent cost reductions totaling $10 billion annually by year-end 1990. This program has progressed satisfactorily, and in 1988 the Corporation increased its targeted savings to between $12.5 billion and $13 billion by the end of 1990.

Cost reductions of $4.8 billion were implemented during the past year, raising total savings achieved since the beginning of the program to $8.5 billion. Savings in 1988 were achieved primarily through an overall improvement in manufacturing efficiency, lower productive material cost and salaried employment reductions. These efficiencies more than offset economic and other product cost increases not recovered through price and higher selling expenses.

Cost of sales and other operating charges as a percent of sales and revenues of General Motors operations, with GMAC on an equity basis, as shown in the format presented in prior years on page 22, was 84.7% in 1988 and 85.7% in 1987. Profit margin (net income as a percent of sales and revenues) was 4.4% in 1988 and 3.5% in 1987.

Cash Flow Remains Strong

In 1988, as required by the Financial Accounting Standards Board (FASB), GM adopted Statement of Financial Accounting Standards (SFAS) No. 95, Statement of Cash Flows, which replaced the Statement of Changes in Consolidated Financial Position. SFAS No. 95 requires that cash flows be classified according to cash flows from operating, investing, and financing activities. While the presentation is in a new format, there is no effect on net income or total cash flow.

General Motors' net cash provided by operating activities with GMAC on an equity basis (as reported in detail on page 24) totaled $11,093.1 million in 1988, compared with $8,404.9 million in 1987, and met the Corporation's cash needs. Cash flow is expected to remain strong in 1989, reflecting continuing profitability and reduced capital spending.

Cash and cash equivalents at December 31, 1988 with GMAC on an equity basis amounted to $5,578.7 million compared with $3,347.9 million a year earlier. The 1988 increase was due primarily to an excess of net cash provided by operating activities over the amount of cash dividends paid to stockholders and expenditures for real estate, plants, equipment and special tools.

GM's liquidity can be measured by its current ratio (current assets to current liabilities with GMAC on an equity basis as shown on page 23). At December 31, 1988 and 1987, the current ratio was 1.71 and 1.53, respectively.

Long-Term Debt Changes

Long-term debt of General Motors and its subsidiaries with GMAC on an equity basis as displayed on page 23 increased $293.8 million during 1988 to $4,243.1 million at year-end. GM's ratio of long-term debt to the total of long-term debt and stockholders' equity was 10.6% at the end of 1988, unchanged from the prior year. The ratio of long-term debt and short-term loans payable to the total of this debt and stockholders' equity was 14.8% at year-end 1988 compared with 17.0% at December 31, 1987.

RETAIL UNIT SALES OF CARS AND TRUCKS WORLDWIDE

(Units in Thousands)	1988	1987	Change from '87
Worldwide Industry	43,666	41,325	2,341
GM	8,259	7,791	468
As % of worldwide	18.9%	18.9%	—
United States:			
Industry	15,799	15,197	602
GM: cars	3,822	3,728	94
trucks	1,741	1,545	196
total	5,563	5,273	290
As % of U.S.	35.2%	34.7%	0.5%
Foreign sponsored	4,013	4,225	(212)
As % of U.S.	25.4%	27.8%	(2.4%)
Canada:			
Industry	1,562	1,529	33
GM	559	537	22
As % of Canada	35.8%	35.1%	0.7%
International:			
Industry	26,305	24,599	1,706
GM: cars	1,860	1,749	111
trucks	277	232	45
total	2,137	1,981	156
As % of international	8.1%	8.1%	—
GM cars & trucks:			
Europe	1,452	1,401	51
West Germany	440	462	(22)
United Kingdom	344	313	31
As % of Europe	10.0%	10.0%	—
Latin America	346	290	56
Brazil	195	149	46
Mexico	48	41	7
Venezuela	36	38	(2)
Africa	34	31	3
Middle East	64	47	17
Asia/Pacific	242	212	30
Australia	92	84	8

GMAC Earnings

Earnings of GMAC of $1.2 billion in 1988 were the second best in its history, $265.6 million below the record level of $1.5 billion earned in 1987. The decrease was attributable primarily to narrower interest margins between the gross earnings rates on outstanding finance receivables and the cost of borrowed funds. Higher losses and loss provisions in 1988 also contributed to the decrease. Gross revenue was a record $13.5 billion, up $98.9 million from 1987, as GMAC continued expanding its programs serving the financing and insurance needs of GM customers and dealers.

Total financing revenue amounted to $10.6 billion, down $217.3 million from 1987. Retail and lease financing revenue, the largest segment of GMAC's business, was down slightly from last year's level to $7,163.2 million due to lower earning rates on retail receivables. Revenue from leasing operations also decreased $150.7 million from 1987. Wholesale financing revenue increased to $1,234.4 million from $1,229.8 million in 1987. The net decline in financing revenue was offset by an increase in other income which includes interest earned on notes receivable from General Motors Corporation. Other income totaled $1,648.1 million for 1988, compared with $1,362.4 million in 1987.

Insurance premiums earned by Motors Insurance Corporation (MIC) in 1988 increased to $1,206.9 million. This compares with $1,176.4 million in 1987.

Interest and discount expense was up $523.6 million to $6,641.9 million in 1988 reflecting increased cost of borrowings.

Total earning assets of GMAC reached a record $94.2 billion at December 31, 1988, slightly above the previous year. GMAC's total borrowings were $81.9 billion on December 31, 1988, up slightly from 1987. Approximately 85% supported United States operations.

Record EDS Results

Electronic Data Systems Corporation (EDS) had another excellent year, achieving separate consolidated net income of $384.1 million, up 18.9% from 1987. Earnings per share attributable to Class E common stock were $3.15, up from $2.65 in 1987 and $2.13 in 1986, and are based on the Available Separate Consolidated Net Income of EDS (described in Note 9 to the Financial Statements).

EDS is a world leader in the design,

Summary Financial Data—GMAC

Condensed Statement of Separate Consolidated Income (Dollars in Millions)	Year Ended December 31, 1988	1987	1986
Financing Revenue:			
Retail and lease financing	$ 7,163.2	$ 7,234.4	$ 7,107.7
Leasing	2,247.0	2,397.7	2,361.7
Wholesale	1,234.4	1,229.8	1,767.2
Total financing revenue	10,644.6	10,861.9	11,236.6
Insurance premiums earned	1,206.9	1,176.4	942.2
Other income	1,648.1	1,362.4	891.1
Gross Revenue	13,499.6	13,400.7	13,069.9
Interest and discount	6,641.9	6,118.3	6,188.5
Other expenses	5,670.1	5,829.2	5,696.3
Total Expenses	12,312.0	11,947.5	11,884.8
Separate Consolidated Net Income	$ 1,187.6	$ 1,453.2	$ 1,185.1
Dividends paid to GM	$ 1,000.0	$ 900.0	—

Condensed Consolidated Balance Sheet (Dollars in Millions)	December 31, 1988	1987
Cash and investments in securities	$ 3,272.0	$ 3,037.5
Finance receivables—net	74,230.8	74,306.6
Notes receivable from General Motors Corporation	14,840.0	13,981.0
Other assets	6,698.1	7,201.9
Total Assets	$99,040.9	$98,527.0
Short-term debt	$54,505.0	$50,878.5
Accounts payable and other liabilities (including GM and affiliates—$3,515.5 and $2,742.4)	9,960.3	9,803.9
Long-term debt	27,370.4	30,869.4
Stockholder's equity	7,205.2	6,975.2
Total Liabilities and Stockholder's Equity	$99,040.9	$98,527.0

Summary Financial Data—EDS

(Dollars in Millions Except Per Share Amounts)	Year Ended December 31, 1988	1987	1986
Revenues:			
Systems and other contracts:			
GM and affiliates	$2,837.0	$2,883.3	$3,195.1
Outside customers	1,907.6	1,444.8	1,127.7
Interest and other income	99.5	99.6	43.2
Total Revenues	4,844.1	4,427.7	4,366.0
Costs and Expenses	4,254.7	3,903.4	3,902.0
Income Taxes	205.3	201.2	203.1
Separate Consolidated Net Income	$ 384.1	$ 323.1	$ 260.9
Available Separate Consolidated Net Income*	$ 160.3	$ 139.1	$ 136.2
Average number of shares of Class E common stock outstanding (in millions)	50.9	52.6	63.8
Earnings Attributable to Class E Common Stock on a Per Share Basis	$3.15	$2.65	$2.13
Cash dividends per share of Class E common stock	$0.68	$0.52	$0.40

Certain 1987 and 1986 data have been restated to reflect the adoption of SFAS No. 94, Consolidation of All Majority-owned Subsidiaries.

*Separate consolidated net income of EDS multiplied by a fraction, the numerator of which is the weighted average number of shares of Class E common stock outstanding and the denominator of which is currently 121.9 million shares. Available Separate Consolidated Net Income is determined quarterly.

operation, and integration of data processing and communications systems. Sales to sources outside GM and its affiliates increased 32.0% in 1988 to $1,907.6 million. Moreover, EDS continued to assist GM in a variety of automation projects being implemented in the Corporation's factories and offices.

EDS financial statements do not include the $2,179.5 million cost to GM of EDS customer contracts, computer software programs and other intangible assets arising from the acquisition of EDS by GM in 1984. This cost, plus the $343.2 million cost of contingent notes purchased in December 1986, less certain income tax benefits, was assigned principally to intangible assets, including goodwill, and is being amortized by GM over the estimated useful lives of the assets acquired. Such amortization was $372.6 million in 1988, $364.3 million in 1987, and $362.4 million in 1986.

For the purpose of determining earnings per share and amounts available for dividends on common stocks, such amortization is charged against earnings attributable to $1-2/3 par value common stock. The effect of EDS operations on the earnings attributable to $1-2/3 par value common stock was a net charge of $286.1 million in 1988, $257.0 million in 1987, and $260.2 million in 1986, consisting of the previously described amortization less related income tax benefits, profit on intercompany transactions and the earnings of EDS attributable to $1-2/3 par value common stock. The net charge does not reflect any estimate of the savings realized by GM from the installation of new computer systems within the GM operations.

Summary Financial Data—GMHE

(Dollars in Millions Except Per Share Amounts)	Year Ended December 31, 1988	1987	1986
Revenues:			
Net sales:			
Outside customers	$ 7,518.2	$ 7,273.2	$ 7,212.8
GM and affiliates	3,482.8	3,134.4	3,158.7
Other income-net	242.6	73.4	68.5
Total Revenues	11,243.6	10,481.0	10,440.0
Costs and Expenses	10,259.7	9,581.8	9,628.8
Income Taxes	349.3	378.1	366.1
Income before cumulative effect of accounting change	634.6	521.1	445.1
Cumulative effect of accounting change*	18.7	—	—
Separate Consolidated Net Income	653.3	521.1	445.1
Available Separate Consolidated Net Income:			
Adjustments to exclude the effect of purchase accounting**	148.8	148.8	148.8
Earnings of GMHE, Excluding Purchase Accounting Adjustments	$ 802.1	$ 669.9	$ 593.9
Available Separate Consolidated Net Income* **	$ 256.9	$ 219.2	$ 190.0
Average number of shares of Class H common stock outstanding (in millions)	127.9	130.8	127.8
Earnings Attributable to Class H Common Stock on a Per Share Basis:			
Before cumulative effect of accounting change	$1.96	$1.67	$1.48
Cumulative effect of accounting change	0.05	—	—
Net earnings attributable to Class H common stock	$2.01	$1.67	$1.48
Cash dividends per share of Class H common stock	$0.44	$0.36	$0.30

*Effective January 1, 1988, accounting procedures at Delco Electronics were changed to include in inventory certain manufacturing overhead costs previously charged directly to expense. GMHE believes this change is preferable because it provides a better matching of costs with related revenues.
**Amortization of intangible assets arising from the acquisition of Hughes.
***Earnings of GMHE, excluding purchase accounting adjustments, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class H common stock outstanding and the denominator of which is currently 400 million shares. Available Separate Consolidated Net Income is determined quarterly.

Record GMHE Results

Earnings of GM Hughes Electronics Corporation (GMHE) increased 19.7% to $802.1 million, and revenues increased 7.3% to $11,243.6 million. Earnings per share attributable to Class H common stock were $2.01, up from $1.67 in 1987, and are based on the Available Separate Consolidated Net Income of GMHE (described in Note 9 to the Financial Statements).

GMHE is a leading supplier of electronic systems for the nation's defense. In addition, GMHE serves commercial customers in such areas as automobile electronics and satellite communications. GMHE also provides direct support to GM through projects to automate the Corporation's factories as well as supplying components and technologies for GM vehicles. Nearly 150 joint GM-GMHE teams are currently working at transferring technology developed for defense and space to GM automotive applications.

For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of intangible assets arising from the acquisition of Hughes in 1985 is charged against earnings attributable to $1-2/3 par value common stock.

The effect of GMHE operations on the earnings attributable to $1-2/3 par value common stock was a net charge of $31.6 million in 1988, $55.3 million in 1987 and $95.0 million in 1986, consisting of amortization of the intangible assets, profit on intercompany transactions and the earnings of GMHE attributable to $1-2/3 par value common stock. The net charge does not reflect any estimate of the savings and improvements in

product development resulting from the application of GMHE technology to GM's operations.

On February 28, 1989, GM and the Howard Hughes Medical Institute announced that they had reached agreement to terminate GM's existing guarantee obligations (see Note 1 to the Financial Statements).

Reduced Capital Spending

With GM's massive facilities modernization program essentially completed, the Corporation has entered a period of reduced total capital spending, focused primarily on product development. Total capital expenditures were $5.6 billion in 1988, $7.2 billion in 1987, and $11.8 billion in 1986.

Worldwide expenditures for real estate, plants and equipment were $3.4 billion in 1988 compared with $4.8 billion in 1987 and $8.2 billion in 1986. Of the 1988 expenditures, approximately 72% were in the United States (80% in 1987 and 81% in 1986), 14% in Canada (10% in 1987 and 8% in 1986), and 14% overseas (10% in 1987 and 11% in 1986).

Worldwide expenditures for special tools were $2.2 billion in 1988, $2.4 billion in 1987, and $3.6 billion in 1986.

Commitments for capital spending, including special tools, totaled $3.4 billion at December 31, 1988. Capital expenditures approaching $7 billion in 1989 are expected to be financed primarily from cash flows provided by operating activities.

Stock Repurchase Program

GM's stock repurchase program is aimed at enhancing shareholder value. Under this program, the Corporation in March 1987 began to use a portion of its cash flow to repurchase up to 128 million shares (post-split) of its $1-2/3 par value common stock and as many as ten million shares of Class E common and ten million shares of Class H common stocks through open market purchases.

Through 1988, repurchases through this program totaled 27.8 million $1-2/3 par value common shares (post-split), 6.9 million Class E common shares, and 3.0 million Class H common shares. The initially announced repurchase of the five million shares of Class E common stock was completed and a second repurchase program of an additional five million shares was announced in May 1988.

In addition to the stock repurchase program the Corporation purchased its shares to offset the issuance of new $1-2/3 par value common shares for the GM Incentive Program and satisfied Class E common and Class H common share requirements for the employe benefit plans of the Corporation and its subsidiaries. In 1988, including transactions under the stock repurchase program, the Corporation purchased a total of 6,555,000 $1-2/3 par value common shares at an average price of $75.58 per share, 5,819,978 Class E common shares at an average price of $34.42 per share, and 4,752,020 Class H common shares at an average price of $28.38 per share.

Dividend Policy

The Corporation's policy is to distribute dividends on $1-2/3 par value common stock based on the outlook and indicated capital needs of the business. With respect to Class E common and Class H common stocks, the Corporation's current policy is to pay cash dividends commencing in 1989 approximately equal to 30% and 35% of the Available Separate Consolidated Net Income of EDS and GMHE, respectively, for the prior year.

Book Value

On a post-split basis, book value per share of $1-2/3 par value common stock increased to $48.92 at the end of 1988 from $44.55 a year earlier and $41.54 at the end of 1986. Book value per share of Class E common stock increased to $25.08 from $22.83 and $21.28 at the end of 1987 and 1986, respectively, and Class H common stock increased to $24.48 from $22.30 and $20.79 at the end of 1987 and 1986, respectively.

Financial Statements

As described more fully on page 25, the formats of the financial statements have been revised in accordance with new standards issued by the FASB.

In order to facilitate analysis, the statements that follow immediately have been prepared on the same basis and format (except for the statement of cash flows) used in prior years.

The Consolidated Financial Statements which appear on pages 27, 28 and 29 have been prepared in the new revised formats.

OPERATING AND FINANCIAL REVIEW *(continued)*

GENERAL MOTORS OPERATIONS WITH GMAC ON AN EQUITY BASIS

The following presents financial data of the Corporation's manufacturing, wholesale marketing, defense, electronics and computer service operations with the financing and insurance operations reflected on an equity basis consistent with reporting in prior years.

Statement of Consolidated Income (Dollars in Millions Except Per Share Amounts)	Years Ended December 31, 1988	1987
Net Sales and Revenues		
Manufactured products	$108,075.9	$100,118.5
Computer systems services	2,152.6	1,663.4
Total Net Sales and Revenues	110,228.5	101,781.9
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items below	93,402.8	87,204.4
Selling, general and administrative expenses	6,655.3	5,896.1
Depreciation and amortization of property	4,950.5	5,573.0
Amortization of intangible assets	545.1	539.0
Total Costs and Expenses	105,553.7	99,212.5
Operating Income	4,674.8	2,569.4
Other income less income deductions—net	226.2	(564.0)
Income before Income Taxes	4,901.0	2,005.4
Income taxes (credit)	1,492.5	(59.9)
Income after Income Taxes	3,408.5	2,065.3
Earnings of nonconsolidated affiliates	1,223.6	1,485.6
Income before cumulative effect of accounting change	4,632.1	3,550.9
Cumulative effect of accounting change	224.2	—
Net Income	4,856.3	3,550.9
Dividends on preferred and preference stocks	26.0	13.7
Earnings on Common Stocks	$ 4,830.3	$ 3,537.2
Earnings Attributable to:		
$1-2/3 par value common stock before cumulative effect of accounting change	$ 4,195.0	$ 3,178.9
Cumulative effect of accounting change	218.1	—
Net earnings attributable to $1-2/3 par value common stock	$ 4,413.1	$ 3,178.9
Class E common stock	$ 160.3	$ 139.1
Class H common stock before cumulative effect of accounting change	$ 250.8	$ 219.2
Cumulative effect of accounting change	6.1	—
Net earnings attributable to Class H common stock	$ 256.9	$ 219.2
Earnings Per Share Attributable to:		
$1-2/3 par value common stock before cumulative effect of accounting change*	$6.82	$5.03
Cumulative effect of accounting change*	0.35	—
Net earnings attributable to $1-2/3 par value common stock*	$7.17	$5.03
Class E common stock	$3.15	$2.65
Class H common stock before cumulative effect of accounting change	$1.96	$1.67
Cumulative effect of accounting change	0.05	—
Net earnings attributable to Class H common stock	$2.01	$1.67

*Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 6, 1989, payable to $1-2/3 par value common stockholders on March 31, 1989.

GENERAL MOTORS OPERATIONS WITH GMAC ON AN EQUITY BASIS (continued)

Consolidated Balance Sheet ASSETS (Dollars in Millions)	December 31, 1988	 1987
Cash and marketable securities	$ 6,836.7	$ 4,706.4
Accounts and notes receivable:		
Trade	17,337.1	19,082.0
Nonconsolidated affiliates	3,742.5	3,112.1
Inventories	7,984.3	7,939.7
Contracts in process	2,035.4	1,756.0
Prepaid expenses	1,821.5	1,123.2
Total Current Assets	39,757.5	37,719.4
Equity in Net Assets of Nonconsolidated Affiliates	8,331.8	7,977.0
Other Investments and Miscellaneous Assets	5,514.2	4,498.7
Property	31,832.4	32,040.4
Intangible Assets	5,134.9	5,186.4
Total Assets	$90,570.8	$87,421.9

LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 7,750.2	$ 7,087.8
Loans payable	1,930.9	2,878.7
Income taxes payable	157.4	376.0
Accrued liabilities and deferred income taxes	13,442.3	14,327.2
Total Current Liabilities	23,280.8	24,669.7
Long-Term Debt	4,243.1	3,949.3
Payable to GMAC	14,840.0	13,981.0
Capitalized Leases	292.6	364.1
Other Liabilities	10,543.4	9,087.9
Deferred Credits	1,699.2	2,144.8
Stockholders' Equity	35,671.7	33,225.1
Total Liabilities and Stockholders' Equity	$90,570.8	$87,421.9

Certain amounts for 1987 have been reclassified to conform with 1988 classifications.

GENERAL MOTORS OPERATIONS WITH GMAC ON AN EQUITY BASIS (concluded)

Statement of Consolidated Cash Flows (Dollars in Millions)	**Years Ended December 31, 1988**	**1987**
Cash Flows from Operating Activities		
Income before cumulative effect of accounting change	$ 4,632.1	$ 3,550.9
Adjustments to reconcile income before cumulative effect of accounting change to net cash provided by operating activities:		
Depreciation and amortization of property	4,950.5	5,573.0
Amortization of intangible assets	545.1	539.0
Net loss on sale of real estate, plants and equipment	78.7	156.6
Deferred income taxes and undistributed earnings of nonconsolidated affiliates	233.6	1,068.4
Change in operating assets and liabilities:		
Accounts receivable	2,193.6	(2,838.8)
Inventories excluding effect of accounting change	311.6	(704.6)
Contracts in process	(48.1)	(165.4)
Prepaid expenses	(698.3)	1,496.4
Accounts payable	662.4	719.8
Income taxes payable excluding effect of accounting change	(350.6)	42.9
Other liabilities	101.8	690.9
Other operating accounts	(1,519.3)	(1,724.2)
Net Cash Provided by Operating Activities	11,093.1	8,404.9
Cash Flows from Investing Activities		
Acquisition of companies, net of cash acquired	(675.2)	(110.0)
Expenditures for real estate, plants and equipment	(3,289.0)	(4,711.2)
Proceeds from disposals of real estate, plants and equipment	296.5	293.9
Expenditures for special tools	(2,194.4)	(2,346.2)
Change in investing assets:		
Notes receivable	340.9	(308.2)
Accounts receivable	(1,420.0)	(7,742.9)
Other marketable securities and time deposits	100.5	157.9
Net Cash Used in Investing Activities	(6,840.7)	(14,766.7)
Cash Flows from Financing Activities		
Net increase (decrease) in loans payable	(947.8)	148.6
Increase in long-term debt	1,074.9	1,580.1
Decrease in long-term debt	(781.2)	(1,638.1)
Payable to GMAC	859.0	8,481.0
Repurchases of common stocks	(786.5)	(729.8)
Proceeds from issuing common and preference stocks	253.0	1,152.3
Cash dividends paid to stockholders	(1,657.5)	(1,667.9)
Net Cash Provided by (Used in) Financing Activities	(1,986.1)	7,326.2
Effect of Exchange Rate Change on Cash and Cash Equivalents	(35.5)	(118.9)
Net increase in consolidated cash and cash equivalents	2,230.8	845.5
Consolidated cash and cash equivalents at beginning of the year	3,347.9	2,502.4
Consolidated cash and cash equivalents at end of the year	$ 5,578.7	$ 3,347.9

Certain amounts for 1987 have been reclassified to conform with 1988 classifications.

Revised Formats

The formats of the Statement of Consolidated Income on page 27 of this Report, the Consolidated Balance Sheet on page 28 and the Statement of Consolidated Cash Flows on page 29 have been changed from prior years to reflect the adoption of SFAS No. 94, Consolidation of All Majority-owned Subsidiaries, as required by the FASB. The adoption of SFAS No. 94 had no effect on consolidated net income or stockholders' equity, but did result in higher reported sales and revenues as well as significant increases in total assets and liabilities.

SFAS No. 94 applies primarily to the consolidation of GMAC, GM's wholly-owned finance subsidiary. Under prior accounting policies, GM's net investment in nonmanufacturing type companies such as GMAC was reflected as a single line item ("equity in net assets of nonconsolidated subsidiaries and associates") on the Balance Sheet. In addition, the net income of nonmanufacturing operations was reflected as a single line item ("equity in earnings of nonconsolidated subsidiaries and associates") on the Income Statement.

As required by SFAS No. 94, GMAC and its subsidiaries, including MIC, have now been consolidated line by line with GM. To accommodate this change, the unclassified balance sheet format utilized by banking and finance companies has been adopted.

Strong Cash Flows

One of GM's underlying financial strengths is its consistently strong cash flow from operations. Net cash provided by operating activities, including GMAC, was $14,556.5 million in 1988, $13,192.7 million in 1987, and $12,294.6 million in 1986, meeting the majority of the Corporation's cash needs in the last two years. GM's cash flow is expected to remain strong in 1989, reflecting continued profitability and reduced capital spending.

Cash and cash equivalents at December 31, 1988 amounted to $5,800.3 million compared with $3,723.0 million a year earlier and $3,043.5 million at the end of 1986. The 1988 increase was due primarily to an excess of net cash provided by operating activities over the amount of cash used in investing and financing activities.

Notes and Loans Payable

General Motors and its subsidiaries, including GMAC, continue to maintain a very strong balance sheet, providing substantial financial flexibility for the Corporation.

During 1988, notes and loans payable (as detailed in Note 14) declined $563.3 million to $88,130.1 million at December 31, 1988 from a balance of $88,693.4 million at December 31, 1987. This decline was attributable to a reduction in long-term borrowing needs reflecting an increase in net cash provided by operating activities in 1988. Reflecting this decline, GM's fully consolidated ratio of debt to stockholders' equity was 2.47 to 1 at December 31, 1988 compared to 2.67 to 1 a year earlier.

Notes and loans payable increased $5,235.8 million during 1987 to $88,693.4 million at December 31, 1987 from a balance of $83,457.6 million at December 31, 1986. This increase reflected increased borrowing needs in line with the growth in earning receivables.

The senior long-term debt of GM and GMAC continues to be rated Aa3 by Moody's and AA– by Standard & Poor's. GMAC commercial paper retains the highest possible rating.

At year-end, GM and its subsidiaries had unused short-term credit lines totaling approximately $18.8 billion and unused long-term credit agreements of approximately $0.9 billion.

Accounting Standards

During 1988, the FASB delayed implementation of SFAS No. 96, Accounting for Income Taxes, until January 1, 1990, while encouraging earlier voluntary adoption. GM has not adopted SFAS No. 96 nor does the Corporation plan early adoption. The effect of the adoption of SFAS No. 96 is expected to be favorable to net income, but in an amount that the Corporation is unable to quantify at this time.

GENERAL MOTORS EMPLOYMENT, PAYROLLS AND BENEFITS

	1988	1987	1986
Average worldwide employment			
GM (excluding units listed below)	624,000	673,100	734,200
GMAC	18,500	18,200	16,900
EDS	47,500	44,600	44,900
Hughes	75,700	77,500	80,800
Average number of employes	765,700	813,400	876,800
Worldwide payrolls (in millions)	$27,548.6	$27,145.7	$28,146.1
Average U.S. hourly employment*	309,700	344,700	378,900
U.S. hourly payrolls* (in millions)	$13,242.0	$12,841.5	$14,087.8
Average labor cost per hour worked—U.S. hourly*	$27.90	$25.90	$24.00
North American employment at December 31 (excluding GMAC, EDS and Hughes)			
Salaried	99,900	106,500	122,200
Hourly	343,600	366,000	417,300
Total	443,500	472,500	539,500
Payments for benefit plans—U.S. (in billions)			
Pensions	$0.8	$1.4	$1.5
Health care	3.0	2.9	2.2
Other	1.9	1.8	1.2
Total	$5.7	$6.1	$4.9
Equal employment opportunity*:			
Minorities as % of GM U.S. work force	21%	21%	21%
White-collar	14%	14%	13%
Blue-collar	23%	23%	23%
Women as % of GM U.S. work force	19%	19%	20%
White-collar	27%	27%	25%
Blue-collar	17%	17%	18%

*Excludes EDS and Hughes.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The following consolidated financial statements of General Motors Corporation and subsidiaries were prepared by management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments of management. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Management is further responsible for maintaining a system of internal accounting controls, designed to provide reasonable assurance that the books and records reflect the transactions of the companies and that its established policies and procedures are carefully followed. From a stockholder's point of view, perhaps the most important feature in the system of control is that it is continually reviewed for its effectiveness and is augmented by written policies and guidelines, the careful selection and training of qualified personnel, and a strong program of internal audit.

Deloitte Haskins & Sells, independent certified public accountants, are engaged to audit the consolidated financial statements of General Motors Corporation and its subsidiaries and express opinions thereon. Their audit is conducted in accordance with generally accepted auditing standards which comprehend a review of internal accounting controls and a test of transactions. The Independent Auditors' Report appears below.

The Board of Directors, through the Audit Committee and its Common Stock Classification Oversight Subcommittee (both composed entirely of non-employe Directors), is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements. The Committee selects the independent public accountants annually in advance of the Annual Meeting of Stockholders and submits the selection for ratification at the Meeting. In addition, the Committee reviews the scope of the audits and the accounting principles being applied in financial reporting. The independent public accountants, representatives of management, and the internal auditors meet regularly (separately and jointly) with the Committee to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Deloitte Haskins & Sells have full and free access to meet with the Committee, without management representatives present, to discuss the results of their audit, the adequacy of internal accounting controls, and the quality of the financial reporting.

Roger B. Smith — Chairman

Robert T. O'Connell — Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

Deloitte Haskins+Sells

1114 Avenue of the Americas
New York, New York 10036

General Motors Corporation, its Directors and Stockholders:

February 13, 1989

We have audited the Consolidated Balance Sheet of General Motors Corporation and subsidiaries as of December 31, 1988 and 1987 and the related Statements of Consolidated Income and Consolidated Cash Flows for each of the three years in the period ended December 31, 1988. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 1988 and 1987 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1988 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the Financial Statements, effective January 1, 1988 the Corporation changed its method of accounting for certain manufacturing overhead costs. In the fourth quarter of 1988, the Corporation changed its consolidation policy as discussed in Note 1 to the Financial Statements. The financial statements presented herein have been restated for the change in consolidation policy as required by the Financial Accounting Standards Board.

Deloitte Haskins + Sells

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED INCOME

For the Years Ended December 31, 1988, 1987 and 1986 (Dollars in Millions Except Per Share Amounts)	1988	1987	1986
Net Sales and Revenues (Note 1)			
Manufactured products	$107,815.2	$ 99,912.7	$100,977.3
Financial services	10,664.9	10,920.8	11,320.2
Computer systems services	1,907.6	1,444.8	1,127.7
Other income (Note 2)	3,253.9	2,592.1	2,184.7
Total Net Sales and Revenues	123,641.6	114,870.4	115,609.9
Costs and Expenses			
Cost of sales and other operating charges, exclusive of items below (Note 7)	93,158.0	86,996.5	88,642.2
Selling, general and administrative expenses	7,999.9	7,180.0	6,877.3
Interest expense (Note 14)	7,232.9	7,080.4	6,813.1
Depreciation of real estate, plants and equipment (Note 1)	5,047.0	5,039.7	5,479.5
Amortization of special tools (Note 1)	1,432.1	2,155.5	2,596.1
Amortization of intangible assets (Note 1)	601.9	631.7	538.8
Other deductions (Note 2)	1,434.9	1,378.1	1,107.1
Total Costs and Expenses	116,906.7	110,461.9	112,054.1
Income before Income Taxes	6,734.9	4,408.5	3,555.8
United States, foreign and other income taxes (Note 8)	2,102.8	857.6	611.1
Income before cumulative effect of accounting change	4,632.1	3,550.9	2,944.7
Cumulative effect of accounting change (Note 1)	224.2	—	—
Net Income	4,856.3	3,550.9	2,944.7
Dividends on preferred and preference stocks (Note 17)	26.0	13.7	10.8
Earnings on Common Stocks	$ 4,830.3	$ 3,537.2	$ 2,933.9
Earnings Attributable to:			
$1-2/3 par value common stock before cumulative effect of accounting change	$ 4,195.0	$ 3,178.9	$ 2,607.7
Cumulative effect of accounting change	218.1	—	—
Net earnings attributable to $1-2/3 par value common stock	$ 4,413.1	$ 3,178.9	$ 2,607.7
Class E common stock	$ 160.3	$ 139.1	$ 136.2
Class H common stock before cumulative effect of accounting change	$ 250.8	$ 219.2	$ 190.0
Cumulative effect of accounting change	6.1	—	—
Net earnings attributable to Class H common stock	$ 256.9	$ 219.2	$ 190.0
Average number of shares of common stocks outstanding (in millions):			
$1-2/3 par value common on a post-split basis (Note 16)	615.7	631.5	635.3
Class E common	50.9	52.6	63.8
Class H common	127.9	130.8	127.8
Earnings Per Share Attributable to (Note 9):			
$1-2/3 par value common stock before cumulative effect of accounting change on a post-split basis (Note 16)	$6.82	$5.03	$4.11
Cumulative effect of accounting change on a post-split basis (Note 16)	0.35	—	—
Net earnings attributable to $1-2/3 par value common stock on a post-split basis (Note 16)	$7.17	$5.03	$4.11
Class E common stock	$3.15	$2.65	$2.13
Class H common stock before cumulative effect of accounting change	$1.96	$1.67	$1.48
Cumulative effect of accounting change	0.05	—	—
Net earnings attributable to Class H common stock	$2.01	$1.67	$1.48

Reference should be made to notes on pages 30 through 44.

CONSOLIDATED BALANCE SHEET

December 31, 1988 and 1987 (Dollars in Millions Except Per Share Amounts)	1988	1987
ASSETS		
Cash and cash equivalents (Note 1)	$ 5,800.3	$ 3,723.0
Other marketable securities and time deposits	4,381.1	4,096.3
Total cash and marketable securities (Note 10)	10,181.4	7,819.3
Finance receivables—net (Note 11)	87,476.9	85,994.5
Accounts and notes receivable (less allowances)	4,540.6	7,859.5
Inventories (less allowances) (Note 1)	7,984.3	7,939.7
Contracts in process (less advances and progress payments of $2,174.4 and $1,981.2) (Note 1)	2,035.4	1,756.0
Net equipment on operating leases (Note 13)	5,005.1	5,558.2
Prepaid expenses and deferred charges	5,156.6	4,615.6
Other investments and miscellaneous assets (less allowances)	4,360.3	3,204.6
Property (Note 1):		
Real estate, plants and equipment—at cost (Note 13)	60,810.6	59,963.5
Less accumulated depreciation (Note 13)	32,798.8	31,033.1
Net real estate, plants and equipment	28,011.8	28,930.4
Special tools—at cost (less amortization)	3,918.9	3,207.0
Total property	31,930.7	32,137.4
Intangible assets—at cost (less amortization) (Note 1)	5,391.8	5,458.4
Total Assets	$164,063.1	$162,343.2

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable (principally trade)	$ 7,896.9	$ 7,261.0
Notes and loans payable (Note 14)	88,130.1	88,693.4
United States, foreign and other income taxes (Note 8)	4,930.3	5,169.2
Capitalized leases	294.8	346.4
Other liabilities (Note 15)	25,520.6	25,565.7
Deferred credits (including investment tax credits—$1,160.4 and $1,438.7)	1,618.7	2,082.4
Total Liabilities	128,391.4	129,118.1
Stockholders' Equity (Notes 3, 4, 5, 16 and 17)		
Preferred stocks ($5.00 series, $153.0; $3.75 series, $81.4)	234.4	234.4
Preference stocks (E $0.10 series, $1.0; H $0.10 series, $1.0)	2.0	2.0
Common stocks:		
$1-2/3 par value common (issued, 306,456,671 and 312,654,018 shares)	510.7	521.1
Class E common (issued, 50,646,603 and 51,601,687 shares)	5.1	5.2
Class H common (issued, 128,388,969 and 65,434,936 shares)	12.8	6.5
Capital surplus (principally additional paid-in capital)	6,235.2	6,764.6
Net income retained for use in the business	28,970.5	25,771.7
Subtotal	35,970.7	33,305.5
Accumulated foreign currency translation and other adjustments	(299.0)	(80.4)
Total Stockholders' Equity	35,671.7	33,225.1
Total Liabilities and Stockholders' Equity	$164,063.1	$162,343.2

Reference should be made to notes on pages 30 through 44.

STATEMENT OF CONSOLIDATED CASH FLOWS

For the Years Ended December 31, 1988, 1987 and 1986 (Dollars in Millions)	1988	1987	1986
Cash Flows from Operating Activities			
Income before cumulative effect of accounting change	$ 4,632.1	$ 3,550.9	$ 2,944.7
Adjustments to reconcile income before cumulative effect of accounting change to net cash provided by operating activities:			
Depreciation of real estate, plants and equipment	3,561.0	3,454.4	3,529.9
Depreciation on operating leases	1,486.0	1,585.3	1,949.6
Amortization of special tools	1,432.1	2,155.5	2,596.1
Amortization of intangible assets	601.9	631.7	538.8
Amortization of discount and issuance costs on debt issues	256.5	217.0	197.4
Provision for financing losses	820.8	671.0	537.8
Pension expense net of cash contributions	(300.3)	327.3	(711.3)
Net loss on sale of real estate, plants and equipment	78.7	156.6	18.5
Other investments, miscellaneous assets and deferred credits	(1,539.5)	(580.8)	423.1
Change in operating assets and liabilities:			
Accounts receivable	3,145.8	(1,629.0)	(2,852.6)
Inventories excluding effect of accounting change	311.6	(704.6)	1,034.6
Contracts in process	(48.1)	(110.3)	(136.8)
Prepaid expenses and deferred charges	(240.7)	(924.9)	(447.2)
Accounts payable	635.9	782.2	(1,098.4)
Income taxes excluding effect of accounting change	(370.9)	1,893.7	1,699.1
Other liabilities	(45.1)	1,961.4	2,370.8
Other operating accounts	138.7	(244.7)	(299.5)
Net Cash Provided by Operating Activities	14,556.5	13,192.7	12,294.6
Cash Flows from Investing Activities			
Acquisition of companies, net of cash acquired	(675.2)	(110.0)	–
Expenditures for real estate, plants and equipment	(3,432.1)	(4,804.4)	(8,159.5)
Proceeds from disposals of real estate, plants and equipment	296.5	385.5	537.6
Expenditures for special tools	(2,194.4)	(2,346.2)	(3,625.3)
Change in investing assets:			
Other marketable securities and time deposits	(284.8)	234.2	1,191.5
Finance receivables—acquisitions	(89,472.6)	(96,260.5)	(144,040.8)
Finance receivables—liquidations	88,727.9	92,407.7	127,171.1
Proceeds from sales of receivables	–	2,393.8	8,541.0
Finance receivables—other	(1,558.5)	(7,717.5)	(3,910.8)
Notes receivable	173.1	(152.0)	11.6
Equipment on operating leases	(932.9)	(602.0)	(3,190.2)
Real estate mortgages held for sale	(79.9)	403.7	(418.8)
Net Cash Used in Investing Activities	(9,432.9)	(16,167.7)	(25,892.6)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	2,643.3	(540.3)	7,883.2
Increase in long-term debt	7,689.9	14,333.7	17,092.6
Decrease in long-term debt	(11,153.0)	(8,774.6)	(8,668.8)
Repurchases of common stocks	(786.5)	(729.8)	(679.4)
Proceeds from issuing common and preference stocks	253.0	1,152.3	327.6
Cash dividends paid to stockholders	(1,657.5)	(1,667.9)	(1,663.1)
Net Cash Provided by (Used in) Financing Activities	(3,010.8)	3,773.4	14,292.1
Effect of Exchange Rate Change on Cash and Cash Equivalents	(35.5)	(118.9)	(58.0)
Net increase in consolidated cash and cash equivalents	2,077.3	679.5	636.1
Consolidated cash and cash equivalents at beginning of the year	3,723.0	3,043.5	2,407.4
Consolidated cash and cash equivalents at end of the year	$ 5,800.3	$ 3,723.0	$ 3,043.5

Reference should be made to notes on pages 30 through 44.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and domestic and foreign subsidiaries which are more than 50% owned. General Motors' share of earnings or losses of associates in which at least 20% of the voting securities is owned is included in consolidated income under the equity method of accounting (see Note 2).

In the fourth quarter of 1988, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 94, Consolidation of All Majority-owned Subsidiaries, as required by the Financial Accounting Standards Board (FASB). While the adoption of SFAS No. 94 had no effect on consolidated net income or stockholders' equity, it did significantly alter the format of the basic financial statements. Under prior accounting policies, the net investment in nonmanufacturing type companies (e.g., General Motors Acceptance Corporation—GMAC) was reflected as a single line item ("equity in net assets of nonconsolidated subsidiaries and associates") on the Consolidated Balance Sheet and the net income of these operations was reflected as a single line item ("equity in earnings of nonconsolidated subsidiaries and associates") on the Statement of Consolidated Income.

However, as required by SFAS No. 94, the accounts of GMAC, GM's wholly-owned finance subsidiary and its subsidiaries, including Motors Insurance Corporation (MIC) as well as other more than 50% owned domestic and foreign finance and insurance subsidiaries, have been added, account by account, to those of the statements of GM and its manufacturing, marketing, defense, electronics and computer service subsidiaries.

As a result, it is no longer meaningful to prepare a Consolidated Balance Sheet in which current and noncurrent assets and liabilities are displayed. Instead, the unclassified format utilized by banking and finance companies has been adopted. Furthermore, the Statement of Consolidated Income no longer reflects Operating Income amounts.

Revenue Recognition

Sales are generally recorded by the Corporation when products are shipped to independent dealers. Provisions for normal dealer sales incentives and returns and allowances are made at the time of sale. Costs related to special sales incentive programs are recognized as sales deductions when these incentive programs are approved.

Certain sales under long-term contracts, primarily in the defense business, are recorded using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized on the contract, determined based on the ratio of costs incurred to estimated total costs at completion. Profits expected to be realized on contracts are based on the Corporation's estimates of total sales value and cost at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

In the case of finance receivables in which the face amount includes the finance charge (principally retail financing), prior to 1988 earnings were accounted for over the terms of the receivables on the sum-of-the-digits (Rule of 78ths) basis. Effective with finance receivables acquired on or after January 1, 1988, earnings are accounted for over the terms of the receivables on the interest method as required by SFAS No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases. The effect of this change in accounting was not material. With respect to finance receivables in which the face amount represents the principal (principally wholesale and interest-bearing lease financing), the interest is taken into income as earned. The interest receivable at the balance sheet date is included in Finance receivables—net.

Insurance premiums are earned on a basis related to coverage provided over the terms of the policies (principally pro rata). Commission costs and premium taxes incurred in acquiring new business are deferred and amortized over the terms of the related policies on the same basis as premiums are earned. The liability for losses and claims includes a provision for unreported losses based on past experience net of the estimated salvage and subrogation recoverable.

Cash Flows

In the fourth quarter of 1988, the Corporation adopted SFAS No. 95, Statement of Cash Flows, as required by the FASB. Accordingly, the Statement of Changes in Consolidated Financial Position for the years ended December 31, 1987 and 1986 has been restated to conform with SFAS No. 95. For purposes of the Statement of Consolidated Cash Flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of 90 days or less.

Supplemental disclosure of cash flow information required by SFAS No. 95 is as follows:

(Dollars in Millions)	1988	1987	1986
Cash paid (refunded) during the years for:			
Interest	$7,406.3	$6,908.5	$7,098.0
Income taxes	(177.0)	(453.0)	(293.3)
Noncash investing and financing activities:			
Capital leases	47.4	142.9	109.7

Provision for Financing Losses

Losses arising from repossession of the collateral supporting doubtful accounts are charged off as soon as disposition of the collateral has been effected and the amount of the deficiency has been determined. Where repossession has not been effected, losses are charged off as soon as it is determined that the collateral cannot be repossessed, generally not more than 150 days after default. Loss allowances on finance receivables are maintained in amounts considered by management to be appropriate in relation to receivables outstanding.

Inventories

Inventories are stated generally at cost, which is not in excess of market. The cost of substantially all domestic inventories other than the inventories of GM Hughes Electronics Corporation (GMHE) is determined by the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method of inventory valuation had been used for inventories valued at LIFO cost, such inventories would have been $2,525.3 million higher at December 31, 1988 and $2,359.9 million higher at December 31, 1987. The

(continued)

NOTE 1. (continued)
cost of inventories outside the United States and of GMHE is determined generally by FIFO or average cost methods.

Major Classes of Inventories (Dollars in Millions)	1988	1987
Productive material, work in process and supplies	$3,958.7	$3,876.0
Finished product, service parts, etc.	4,025.6	4,063.7
Total	$7,984.3	$7,939.7

Contracts in Process
Contracts in process are stated at costs incurred plus estimated profit less amounts billed to customers and advances and progress payments received. Engineering, tooling, manufacturing and applicable overhead costs, including administrative, research and development and selling expenses, are charged to costs and expenses when they are incurred. Under certain contracts with the United States Government, progress payments are received based on costs incurred on the respective contracts. Title to the inventories relating to such contracts (included in contracts in process) vests with the United States Government.

Depreciation and Amortization
Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods, which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives.

Expenditures for special tools are amortized over their estimated useful lives. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

GMAC provides for depreciation of automobiles and other equipment on operating leases or in company use generally on a straight-line basis.

In the first quarter of 1987, GMAC revised the rates of depreciation for automobiles on operating leases to retail customers to give effect to current experience with respect to the residual values of leased vehicles. These revisions had the effect of increasing GMAC's 1987 net income by $254.7 million, or $0.41 per share of $1-2/3 par value common stock (post-split).

In the third quarter of 1987, the Corporation revised the estimated service lives of its plants and equipment and special tools retroactive to January 1, 1987. These revisions, which were based on 1987 studies of actual useful lives and periods of use, recognized current estimates of service lives of the assets and had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $1.28 per share of $1-2/3 par value common stock (post-split).

Income Taxes
Investment tax credits are generally deferred and amortized over the lives of the related assets (the "deferral method") for General Motors Corporation, GMAC and Electronic Data Systems Corporation (EDS). GMHE recognizes investment tax credits as a reduction of income tax expense in the year that the assets which give rise to the credits are placed in service (the "flow-through method").

The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, sales and product allowances, vehicle instalment sales, benefit plans expense, profits on long-term contracts, lease transactions and provisions for financing losses) are deferred. Provisions are made for estimated United States and foreign income taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' undistributed earnings less those deemed to be indefinitely reinvested.

Pension Program
As described in Note 6, the Corporation adopted SFAS No. 87, Employers' Accounting for Pensions, effective in 1986 for its U.S. and Canadian defined benefit pension plans and certain foreign pension plans effective January 1, 1987 and 1988.

Product Related Expenses
Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold. Expenditures for research and development are charged to expenses as incurred and amounted to $4,753.8 million in 1988, $4,361.2 million in 1987 and $4,157.7 million in 1986.

Foreign Currency Translation
Exchange and translation losses included in net income in 1988, 1987 and 1986 amounted to $8.9 million, $21.0 million and $12.9 million, respectively.

Acquisitions and Intangible Assets
Effective December 31, 1985, the Corporation acquired Hughes Aircraft Company (Hughes) and its subsidiaries for $2.7 billion in cash and cash equivalents and 100 million shares of General Motors Class H common stock having an estimated total value of $2,561.9 million. In addition, for each share of Class H common stock issued in connection with the acquisition and held by the Howard Hughes Medical Institute (Institute) on December 31, 1989, the Corporation had guaranteed to pay the Institute on December 31, 1989, the amount, if any, by which the market value per share of Class H common stock might be below $30, provided that such payment would not be greater than $20 per share. On February 28, 1989, the Corporation and the Institute announced that they had reached agreement to terminate the Corporation's existing guarantee obligations. Under other terms of the new agreement: (i) the Corporation purchased 35 million shares of Class H common stock from the Institute on February 28, 1989; (ii) the Institute received put options exercisable under most circumstances at $30 per share on March 1, 1991, 1992, 1993 and 1995 for 20 million, 10 million, 10 million and 15 million shares, respectively; (iii) the Corporation will have the option to call the Institute's shares from March 1, 1989 until February 28, 1991, 1992, 1993 and 1995 for 20 million, 10 million, 10 million and 15 million shares, respectively, at a call price of $35 per share for all shares except for the 15 million shares callable until February 28, 1995, for which the call price is $37.50 per share; and (iv) the Corporation paid to the Institute $675 million in cash and approximately $300 million in notes (the aggregate value of the cash and notes will be charged to capital surplus).

(continued)

NOTE 1. (concluded)

The acquisition was accounted for as a purchase. The purchase price exceeded the net book value of Hughes by $4,244.7 million, which was assigned as follows: $500.0 million to patents and related technology, $125.0 million to the future economic benefits to the Corporation of the Hughes Long-Term Incentive Plan (LTIP), and $3,619.7 million to other intangible assets. The amounts assigned to the various intangible asset categories are being amortized on a straight-line basis: patents and related technology over 15 years, the future economic benefits of the Hughes LTIP over five years and other intangible assets over 40 years. Amortization is applied directly to the asset accounts.

For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of intangible assets arising from the acquisition of Hughes is charged against earnings attributable to $1-2/3 par value common stock. The effect on the 1988, 1987 and 1986 earnings attributable to $1-2/3 par value common stock was a net charge of $31.6 million, $55.3 million and $95.0 million, respectively, consisting of the amortization of the intangible assets arising from the acquisition, the profit on intercompany transactions and the earnings of GMHE attributable to $1-2/3 par value common stock.

On October 18, 1984, the Corporation acquired EDS and its subsidiaries for $2,501.9 million. The acquisition was consummated through an offer to exchange EDS common stock for either (a) $44 in cash or (b) $35.20 in cash plus two-tenths of a share of Class E common stock plus a nontransferable contingent promissory note issued by GM. This note is payable seven years after closing in an amount equal to .2 times the excess of $62.50 over the market price of the Class E common stock at the maturity date of the note. Holders may tender their notes for prepayment at discounted amounts beginning in October 1989.

If the market price of Class E common stock at the maturity date of the notes were to equal the market price at December 31, 1988, $44.88 a share, the aggregate additional consideration for contingent notes outstanding at December 31, 1988 would be $184.6 million. Any additional consideration would be charged to goodwill and amortized over the remaining life of that asset.

The acquisition of EDS was accounted for as a purchase. The purchase price in excess of the net book value of EDS, $2,179.5 million, was assigned principally to existing customer contracts, $1,069.9 million, computer software programs developed by EDS, $646.2 million, and other intangible assets, including goodwill, $290.2 million. The cost assigned to these assets is being amortized on a straight-line basis over five years for computer software programs, about seven years for customer contracts, ten years for goodwill and varying periods for the remainder. Amortization is applied directly to the asset accounts.

For the purpose of determining earnings per share and amounts available for dividends on common stocks, the amortization of these assets is charged against earnings attributable to $1-2/3 par value common stock. The effect on the 1988, 1987 and 1986 earnings attributable to $1-2/3 par value common stock was a net charge of $286.1 million, $257.0 million and $260.2 million, respectively, consisting of the amortization of the intangible and other assets arising from the acquisition less related income tax effects, the profit on intercompany transactions and the earnings of EDS attributable to $1-2/3 par value common stock.

The intangible assets of GMAC mortgage operations, related to the acquisition of mortgage servicing rights, are amortized on a straight-line basis, generally over a period of seven to ten years. This amount was adjusted during 1987 to reflect the increase in prepayments of the portfolio and the amortization schedule was revised to match future servicing revenues.

Accounting Change

Effective January 1, 1988, accounting procedures were changed to include in inventory certain manufacturing overhead costs previously charged directly to expense. The Corporation believes this change is preferable because it provides a better matching of costs with related revenues. The effect of this change on 1988 earnings was a favorable adjustment of $0.35 per share of $1-2/3 par value common stock (post-split) and $0.05 per share of Class H common stock.

NOTE 2. Other Income and Other Deductions

(Dollars in Millions)	1988	1987	1986
Other Income:			
Insurance premiums	$ 697.7	$ 720.2	$ 604.8
Interest income	1,793.9	1,319.8	768.6
Other	731.2	535.6	840.0
Equity in earnings (losses) of associates	31.1	16.5	(28.7)
Total Other Income	$3,253.9	$2,592.1	$2,184.7

Interest income reflects nonfinancing interest income, while other income primarily relates to gains recognized by GMAC on the sale of finance receivables, mortgage service revenue and MIC investment income.

(Dollars in Millions)	1988	1987	1986
Other Deductions:			
Insurance losses and loss adjustment expenses	$ 546.5	$ 616.5	$ 517.7
Provision for financing losses	820.8	671.0	537.8
Other	67.6	90.6	51.6
Total Other Deductions	$1,434.9	$1,378.1	$1,107.1

NOTE 3. General Motors Incentive Program

The General Motors Incentive Program consists of the General Motors 1987 Stock Incentive Plan and the General Motors 1987 Performance Achievement Plan. The By-Laws of the Corporation provide that the Plans in which directors or officers of the Corporation may participate shall be presented for action at a stockholders' meeting at least once in every five years. The Program was last approved by stockholders at the 1987 Annual Meeting. The Program is administered by the Incentive and Compensation Committee of the Board of Directors (the Committee).

Stock Incentive Plan

Under the 1987 Stock Incentive Plan (the Plan), the Committee may grant options and other rights (including stock appreciation rights, restricted stock units and contingent payment rights) to key employes during the period from June 1, 1987 through May 31, 1992. The aggregate number of shares for which options and other rights may be granted under the Plan is 50 million shares of $1-2/3 par value common stock (post-split), 5 million shares of Class E common stock and 10 million shares of Class H common stock.

(continued)

NOTE 3. (concluded)

Incentive and nonqualified stock options granted under the Plan generally are exercisable one-half after one year and one-half after two years from the dates of grant; the option prices are 100% of fair market value on the dates of grant. The options generally expire ten years from the dates of grant and are subject to earlier termination under certain conditions.

Changes in the status of outstanding options (on a post-split basis) were as follows:

$1-2/3 par value common stock	Option Prices	Shares Under Option
Outstanding at January 1, 1986	$19.13-$38.60	6,682,776
Granted	34.16	2,488,650
Exercised: Options	19.13-38.60	(771,968)
SARs	19.13-38.60	(103,718)
Terminated	19.13-38.60	(192,132)
Outstanding at December 31, 1986	19.13-38.60	8,103,608
Granted	40.85	2,346,480
Exercised: Options	19.13-38.60	(1,202,576)
SARs	19.13-38.60	(353,660)
Terminated	23.25-40.85	(153,704)
Outstanding at December 31, 1987	19.13-40.85	8,740,148
Granted	37.47	3,198,420
Exercised: Options	19.13-40.85	(715,306)
SARs	19.13-38.60	(175,350)
Terminated	23.25-40.85	(122,440)
Outstanding at December 31, 1988	$19.13-$40.85	10,925,472

Stock Appreciation Rights (SARs) have been granted to certain officers of the Corporation in prior years, but no SARs or contingent payment rights were granted in 1988 or 1987. SARs provide holders with the right to receive cash equal in value to the appreciation in the Corporation's common stock over the option price of the shares under option. They may be exercised only upon surrender of the related options and expire with the related options.

The Corporation intends to deliver newly issued $1-2/3 par value common stock upon the exercise of the stock options. Options for 6,603,076 shares (post-split) were exercisable at December 31, 1988; the maximum number of shares for which additional options and other rights may be granted under the Plan was 36,466,584 shares of $1-2/3 par value common stock (post-split), 3,582,991 shares of Class E common stock and 7,565,409 shares of Class H common stock at December 31, 1988.

Each restricted stock unit (Unit) relates to one share of $1-2/3 par value common stock, Class E common stock or Class H common stock, as determined by the Committee at the time of grant. The Units entitle the employe to receive, without payment to the Corporation, shares of common stock in consideration for services performed. Such Units vest over specified periods generally ranging up to three years from the date of grant. In 1988, the Committee granted Units relating to 4,081,242 shares of $1-2/3 par value common stock (post-split), 763,744 shares of Class E common stock and 1,258,969 shares of Class H common stock.

Performance Achievement Plan

Under the provisions of the 1987 Performance Achievement Plan, the Committee established target awards for the four-year period ending in 1992. Awards are established based on targeted relationships between Corporation earnings and worldwide industry sales during the award periods; the percentages of the target awards ultimately distributed to the participants are determined by the Committee based on actual results in relation to the established goals and individual performance.

NOTE 4. EDS Incentive Plans

The GM Board of Directors approved and adopted the 1984 Electronic Data Systems Corporation Stock Incentive Plan in accordance with stockholder approval obtained in connection with GM's acquisition of EDS. Under this Plan, shares, rights or options to acquire up to 40 million shares of Class E common stock may be granted or sold during the ten-year life of the Plan.

The EDS incentive and compensation committee has granted to key employes a total of 9,538,365 shares of Class E common stock at prices up to $0.10 per share. The Class E common shares granted under the Plan are subject to restrictions and generally vest over a ten-year period from the date the stock rights are granted.

In 1985, the committee also granted incentive stock options under the provisions of the 1984 Plan. The option price is equal to 100% of the fair market value of Class E common stock on the date the options were granted. These incentive stock options expire six years from the date of grant and are subject to earlier termination under certain conditions. Changes in the status of outstanding options were as follows:

Class E common stock	Option Prices	Shares Under Option
Outstanding at January 1, 1986	$35.82	4,044,200
Exercised	35.82	(1,000)
Terminated	35.82	(255,450)
Outstanding at December 31, 1986	35.82	3,787,750
Exercised	35.82	(77,451)
Terminated	35.82	(222,849)
Outstanding at December 31, 1987	35.82	3,487,450
Exercised	35.82	(135,479)
Terminated	35.82	(84,614)
Outstanding at December 31, 1988	$35.82	3,267,357

At December 31, 1988, options for 2,450,518 Class E common shares were exercisable, and the maximum number of shares for which additional shares, rights or options may be granted under the Plan was 27,212,128 shares.

NOTE 5. GMHE Incentive Plans

In 1985, stockholder approval was obtained in connection with GM's acquisition of Hughes for a GMHE Incentive Plan. Under this Plan, shares, rights or options to acquire up to 20 million shares of Class H common stock may be granted during the ten-year life of the Plan.

(continued)

NOTE 5. (concluded)

The GM Incentive and Compensation Committee may grant options and other rights to acquire shares of Class H common stock under the provisions of the GMHE Plan. The option price is equal to 100% of the fair market value of Class H common stock on the date the options were granted. These nonqualified options generally expire ten years from the dates of grant and are subject to earlier termination under certain conditions.

Changes in the status of outstanding options were as follows:

Class H common stock	Option Prices	Shares Under Option
Granted in 1986	$19.75	78,910
Outstanding at December 31, 1986	19.75	78,910
Granted	24.34-24.69	764,100
Terminated	24.34	(4,400)
Outstanding at December 31, 1987	19.75-24.69	838,610
Granted	30.00-30.25	818,375
Exercised	19.75-24.60	(44,530)
Terminated	24.34-30.25	(72,510)
Outstanding at December 31, 1988	$19.75-$30.25	1,539,945

Options for 71,175 shares of Class H common stock were exercisable at December 31, 1988; the maximum number of shares for which additional options and other rights may be granted under the Plan was 18,156,080 at December 31, 1988.

NOTE 6. Pension Program and Postemployment Benefits

The Corporation and its subsidiaries have a number of defined benefit pension plans covering substantially all employes. Plans covering U.S. and Canadian represented employes generally provide benefits of negotiated stated amounts for each year of service as well as significant supplemental benefits for employes who retire with 30 years of service before normal retirement age. The benefits provided by the plans covering its U.S. and Canadian salaried employes, and employes in certain foreign locations, are generally based on years of service and the employe's salary history. The Corporation and its subsidiaries also have certain nonqualified pension plans covering executives which are based on targeted wage replacement percentages and are generally unfunded.

Plan assets are primarily invested in United States government obligations, equity and fixed income securities, commingled pension trust funds, GM preference stock valued at $1,039.9 million contributed to the plans in 1987 (see Note 17) and insurance contracts. The Corporation's funding policy with respect to its qualified plans is to contribute annually not less than the minimum required by applicable law and regulation nor more than the maximum amount which can be deducted for Federal income tax purposes.

In 1986, the Corporation adopted SFAS No. 87, Employers' Accounting for Pensions, with respect to all its U.S. and Canadian defined benefit pension plans and with respect to certain foreign pension plans, effective January 1, 1987 and 1988.

Total pension expense of the Corporation and its subsidiaries amounted to $544.4 million in 1988, $714.6 million in 1987 and $833.2 million in 1986. Net periodic pension cost (credit) for 1988, 1987 and 1986 of U.S. plans and plans of subsidiaries outside the United States included the components shown below.

1988	**U.S. Plans**		**Non-U.S. Plans**	
	(Dollars in Millions)			
Benefits earned during the year		$ 616.6		$ 83.1
Interest accrued on benefits earned in prior years		3,190.3		301.4
Return on assets				
—Actual	$ 56.1		$ 25.7	
—Plus deferred loss	(3,420.2)	(3,364.1)	(394.2)	(368.5)
Net amortization		74.9		(47.0)
Net periodic pension cost (credit)		$ 517.7		($ 31.0)
1987				
Benefits earned during the year		$ 798.2		$ 27.7
Interest accrued on benefits earned in prior years		2,718.0		150.9
Return on assets				
—Actual	($7,436.6)		($586.0)	
—Less deferred gain	4,608.4	(2,828.2)	304.5	(281.5)
Net amortization		122.5		(74.9)
Net periodic pension cost (credit)		$ 810.5		($177.8)
1986				
Benefits earned during the year		$ 622.3		$ 17.8
Interest accrued on benefits earned in prior years		2,517.7		81.7
Return on assets				
—Actual	($6,711.2)		($153.9)	
—Less deferred gain	4,365.8	(2,345.4)	37.3	(116.6)
Net amortization		(59.7)		(24.0)
Net periodic pension cost (credit)		$ 734.9		($ 41.1)

(continued)

NOTE 6. (concluded)

(Dollars in Millions)	U.S. Plans				Non-U.S. Plans			
	1988		1987		1988		1987	
Actuarial present value of benefits based on service to date and present pay levels	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets
Vested	$12,967.7	$16,506.2	$27,403.5	$ 33.6	$1,921.6	$1,044.6	$1,676.8	$1,089.3
Nonvested	644.2	3,097.8	2,922.3	16.6	266.7	23.1	157.3	32.1
Accumulated benefit obligation	13,611.9	19,604.0	30,325.8	50.2	2,188.3	1,067.7	1,834.1	1,121.4
Additional amounts related to projected pay increases	1,500.1	69.9	1,385.1	61.0	119.5	220.3	126.6	242.3
Total projected benefit obligation based on service to date	15,112.0	19,673.9	31,710.9	111.2	2,307.8	1,288.0	1,960.7	1,363.7
Plan assets at fair value	18,932.4	17,477.9	38,521.5	—	3,463.1	—	3,538.1	—
Projected benefit obligation (in excess of) or less than plan assets	3,820.4	(2,196.0)	6,810.6	(111.2)	1,155.3	(1,288.0)	1,577.4	(1,363.7)
Unamortized net amount resulting from changes in plan experience and actuarial assumptions	(93.9)	(72.4)	(5,660.7)	4.2	246.6	(22.4)	(278.6)	—
Unamortized prior service cost	20.9	1,745.9	1,894.9	9.0	347.2	—	274.8	—
Unamortized net obligation or (asset) at date of adoption	(2,139.4)	1,614.0	(652.7)	67.5	(1,053.3)	395.4	(1,128.9)	476.7
Prepaid pension cost recognized in the Consolidated Balance Sheet	$ 1,608.0	$ 1,091.5	$ 2,392.1	($ 30.5)	$ 695.8	($ 915.0)	$ 444.7	($ 887.0)

The table above reconciles the funded status of the Corporation's U.S. and non-U.S. plans with amounts recognized in the Corporation's Consolidated Balance Sheet at December 31, 1988 and December 31, 1987.

Measurement dates used for the Corporation's principal U.S. plans are October 1 for GM's plans (including Delco Electronics Corporation) and EDS, and December 1, 1988 and December 31, 1987 and 1986 for Hughes plans. For non-U.S. plans, the measurement dates used are October 1 for certain foreign plans and December 1 for Canadian plans.

The weighted average discount rate used in determining the actuarial present values of the projected benefit obligation shown in the table for U.S. plans was 10.0% at December 31, 1988 and 10.4% at December 31, 1987 and for non-U.S. plans was 9.8% at December 31, 1988 and 9.6% at December 31, 1987. The rate of increase in future compensation levels of applicable U.S. employes was 5.6% at December 31, 1988 and 5.5% at December 31, 1987 and of applicable non-U.S. employes was 4.3% at both December 31, 1988 and December 31, 1987. Benefits under the hourly plans are generally not based on wages and therefore no benefit escalation beyond existing negotiated increases was included. The expected long-term rate of return on assets used in determining 1988 and 1987 pension expense for U.S. plans was 10.0% and for non-U.S. plans was 10.7% for 1988 and 10.6% for 1987. The assumptions for non-U.S. plans were developed on a basis consistent with that for U.S. plans, adjusted to reflect prevailing economic conditions and interest rate environments.

In addition to providing pension benefits, the Corporation and certain of its subsidiaries provide certain health care and life insurance benefits for retired employes. Substantially all of the Corporation's employes, including employes in some foreign countries, may become eligible for those benefits if they reach normal retirement age while working for the Corporation. The Corporation recognizes the cost of providing those benefits primarily by expensing the cost as incurred. The cost of such benefits amounted to $1,113.0 million in 1988, $968.1 million in 1987 and $864.6 million in 1986.

A program for early retirement or special separation was offered to certain salaried employes. Expenses accrued in connection with the program were $144.1 million in 1988, $437.7 million in 1987 and $86.8 million in 1986.

NOTE 7. Special Provision for Scheduled Plant Closings and Other Restructurings

In 1986, the Corporation announced plans to close certain manufacturing and assembly plants over the next three years and to restructure certain other operations. The 1986 results of operations included a special provision of $1,287.6 million for costs associated with these scheduled plant closings and other restructurings that were reasonably estimable at the time. This provision includes $802.9 million for scheduled plant closings in the U.S. and $484.7 million for various other restructurings of foreign operations. As a result of plant closings and other restructurings, consolidated net income in 1986 was reduced by $291.3 million or $0.46 per share of $1-2/3 par value common stock (post-split). During 1988 and 1987, a net of $218.6 million and $151.3 million, respectively, was charged against this reserve for costs incurred related to plant closings.

NOTE 8. United States, Foreign and Other Income Taxes

(Dollars in Millions)	1988	1987	1986
Taxes estimated to be payable currently:			
United States Federal	$1,641.6	($ 655.1)	($1,883.8)
Foreign	553.4	(179.4)	668.0
State and local	62.7	124.3	(116.2)
Total	2,257.7	(710.2)	(1,332.0)
Taxes deferred—net:			
United States Federal	(185.8)	1,240.8	1,895.7
Foreign	252.6	507.4	(203.1)
State and local	58.5	52.2	197.6
Total	125.3	1,800.4	1,890.2
Investment tax credits deferred—net:			
United States Federal	(263.7)	(243.9)	28.3
Foreign	(16.5)	11.3	24.6
Total	(280.2)	(232.6)	52.9
Total taxes*	$2,102.8	$ 857.6	$ 611.1

*Excluding effect of accounting change.

Investment tax credits entering into the determination of taxes estimated to be payable currently amounted to $13.0 million in 1988, $155.1 million in 1987 and $479.3 million in 1986.

The deferred taxes (credit) for timing differences consisted principally of the following: 1988—$544.7 million for depreciation, $202.7 million for sales and product allowances, ($217.2) million for vehicle instalment sales, ($250.3) million for benefit plans expense, ($231.1) million for profits on long-term contracts, ($126.8) million for lease transactions, ($102.8) million provision for financing losses, ($242.5) million for policy and warranty and $190.0 million for uniform capitalization of inventory costs; 1987—$1,306.3 million for depreciation, $156.9 million for sales and product allowances, $676.7 million for vehicle instalment sales, $99.8 million for benefit plans expense, ($221.1) million for profits on long-term contracts, $305.7 million for lease transactions, ($105.6) million for sales of finance receivables and ($85.4) million provision for financing losses; and 1986—$173.3 million for depreciation, $954.1 million for sales and product allowances, $420.9 million for vehicle instalment sales, $247.8 million for benefit plans expense, ($184.5) million for profits on long-term contracts, $454.9 million for lease transactions, $106.2 million for sales of finance receivables and ($100.1) million provision for financing losses.

Income before income taxes included the following components:

(Dollars in Millions)	1988	1987	1986
Domestic income	$3,170.8	$2,470.3	$1,942.6
Foreign income	3,564.1	1,938.2	1,613.2
Total	$6,734.9	$4,408.5	$3,555.8

The consolidated income tax was different than the amount computed at the United States statutory income tax rate for the reasons set forth in the following table.

(Dollars in Millions)	1988	1987	1986
Expected tax at U.S. statutory income tax rate	$2,289.9	$1,763.4	$1,635.7
State and local income taxes	95.2	100.0	101.9
Investment tax credits amortized	(293.2)	(387.7)	(426.4)
Utilization of loss carryforwards at certain foreign operations	(353.9)	(297.9)	—
Tax benefit from restructuring of foreign operations	—	—	(404.0)
Tax effect of foreign dividends	206.9	2.1	(96.2)
Tax rate changes on reversing timing differences	(126.6)	(161.5)	—
Research and development credit	—	(63.3)	(86.7)
Other adjustments	284.5	(97.5)	(113.2)
Consolidated income tax*	$2,102.8	$ 857.6	$ 611.1

*Excluding effect of accounting change.

NOTE 9. Earnings Per Share Attributable to and Dividends on Common Stocks

Earnings per share attributable to common stocks have been determined based on the relative rights of $1-2/3 par value common, Class E common and Class H common stocks to participate in dividends. The effect on earnings per share of $1-2/3 par value common stock resulting from the assumed exercise of outstanding options, the delivery of stock awards and the assumed conversion of the preference shares discussed in Note 17 is not material. The operations of the EDS and GMHE Incentive Plans and the assumed conversion of the preference shares do not have a material dilutive effect on earnings per share of Class E common or Class H common stocks, respectively, at this time.

Dividends on the $1-2/3 par value common stock are declared out of the earnings of GM and its subsidiaries, excluding the Available Separate Consolidated Net Income of EDS and GMHE.

Dividends on the Class E common stock are declared out of the Available Separate Consolidated Net Income of EDS earned since the acquisition of EDS by GM. The Available Separate Consolidated Net Income of EDS is determined quarterly and is equal to the separate consolidated net income of EDS, excluding the effects of purchase accounting adjustments arising from the acquisition of EDS, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class E common stock outstanding during the period and the denominator of which is currently 121.9 million shares.

Dividends on the Class H common stock are declared out of the Available Separate Consolidated Net Income of GMHE earned since the acquisition of Hughes by GM. The Available Separate Consolidated Net Income of GMHE is determined quarterly and is equal to the separate consolidated net income of GMHE, excluding the effects of purchase accounting adjustments arising from the acquisition of Hughes, multiplied by a fraction, the numerator of which is the weighted average number of shares of Class H common stock outstanding during the period and the denominator of which is currently 400 million shares.

The denominators used in determining the Available Separate Consolidated Net Income of EDS and GMHE will be adjusted as deemed appropriate by the Board of Directors to reflect subdivisions or combinations of the Class E common and Class

(continued)

NOTE 9. (concluded)

H common stocks and to reflect certain transfers of capital to or from EDS and GMHE.

Dividends may be paid on common stocks only when, as and if declared by the Board of Directors in its sole discretion. The Board's policy with respect to $1-2/3 par value common stock is to distribute dividends based on the outlook and the indicated capital needs of the business. The current policy of the Board of Directors with respect to the Class E common and Class H common stocks is to pay cash dividends commencing in 1989 approximately equal to 30% and 35% of the Available Separate Consolidated Net Income of EDS and GMHE, respectively, for the prior year.

NOTE 10. Cash and Marketable Securities

(Dollars in Millions)	1988 Cost	1988 Market Value	1987 Cost	1987 Market Value
Cash	$ 660.5	$ 660.5	$ 770.4	$ 770.4
Time deposits and certificates of deposit	2,598.1	2,598.1	2,487.3	2,487.1
Bonds, notes and other securities:				
United States government and other governmental agencies and authorities	2,858.8	2,858.5	874.8	880.6
States, municipalities and political subdivisions	2,008.6	2,027.2	2,511.9	2,589.8
Other	1,499.7	1,533.5	602.1	606.0
Total bonds, notes and other securities	6,367.1	6,419.2	3,988.8	4,076.4
Preferred stocks with mandatory redemption terms	91.8	92.5*	126.6	127.9*
Common stocks:				
Public utilities	34.9	53.0	40.5	52.9
Banks, trust and insurance companies	11.8	21.9	15.0	27.6
Industrial, miscellaneous and all other	193.7	389.0	181.7	365.7
Total common stocks	240.4	463.9	237.2	446.2
Total cash and marketable securities	9,957.9	$10,234.2	7,610.3	$7,908.0
Adjustment to value common stocks at market	223.5		209.0	
Book value of cash and marketable securities	$10,181.4		$7,819.3	
Memo:				
Cash equivalents (included above)	$ 5,139.8	$ 5,140.8	$2,952.6	$2,955.1

*Based on estimated market value.

NOTE 11. Finance Receivables—Net

The distribution of maturities of finance receivables outstanding at December 31, 1988 and 1987 is summarized as follows:

(Dollars in Millions)	1988	1987
Retail, lease financing and leasing receivables		
Past due		
Over 30 days	$ 118.0	$ 91.1
30 days or less	472.3	416.8
Due in following year	40,534.6	39,009.5
Due in second following year	20,223.1	21,913.7
Due thereafter	22,567.5	22,256.6
Total	83,915.5	83,687.7
Wholesale receivables (principally due on demand)	9,629.3	9,160.5
Term loans to dealers and others	3,075.7	2,527.2
Other	1,176.6	1,173.1
Total finance receivables	97,797.1	96,548.5
Less:		
Unearned income	9,145.2	9,574.6
Allowance for financing losses	1,175.0	979.4
Total finance receivables—net	$87,476.9	$85,994.5
Repossessions (included above)	$343.4	$306.5

The aggregate amount of total receivables maturing in each of the five years following December 31, 1988 is as follows: 1989—$52,807.3 million; 1990—$20,520.2 million; 1991—$13,617.4 million; 1992—$7,645.1 million; 1993—$2,543.3 million; and 1994 and thereafter—$663.8 million.

The following table presents an analysis of the allowance for financing losses for 1988, 1987 and 1986.

(Dollars in Millions)	1988	1987	1986
Allowance for financing losses at beginning of the year	$ 979.4	$726.7	$515.8
Provision for financing losses			
Non-recourse increment—retail	332.8	282.1	110.5
Other	488.0	388.9	427.3
Total	820.8	671.0	537.8
Charge-offs	695.2	493.5	377.1
Recoveries	70.0	75.2	50.2
Net charge-offs	625.2	418.3	326.9
Allowance for financing losses at end of the year	$1,175.0	$979.4	$726.7

The Corporation's finance subsidiaries sold net retail finance receivables aggregating $2.4 billion in 1987 and $8.8 billion in 1986. GMAC's retail instalment obligations servicing portfolio at December 31, 1988 amounted to $3.8 billion, compared with $7.1 billion at December 31, 1987. The gains or losses on the sales of receivables are recorded as other income. GMAC's recourse liability under the limited guaranties is generally 5% of the outstanding balances in the pools. The amount recorded for this potential liability amounted to $69.5 million at December 31, 1988 and $98.7 million at December 31, 1987.

NOTE 12. General Motors Acceptance Corporation and Subsidiaries

Condensed Consolidated Balance Sheet (Dollars in Millions)	**1988**	**1987**
Cash and investments in securities	$ 3,272.0	$ 3,037.5
Finance receivables—net	74,230.8	74,306.6
Notes receivable from General Motors Corporation	14,840.0	13,981.0
Other assets	6,698.1	7,201.9
Total Assets	$99,040.9	$98,527.0
Short-term debt	$54,505.0	$50,878.5
Accounts payable and other liabilities (including GM and affiliates—$3,515.5 and $2,742.4)	9,960.3	9,803.9
Long-term debt	27,370.4	30,869.4
Stockholder's equity	7,205.2	6,975.2
Total Liabilities and Stockholder's Equity	$99,040.9	$98,527.0

Condensed Statement of Separate Consolidated Income (Dollars in Millions)	**1988**	**1987**	**1986**
Gross Revenue	$13,499.6	$13,400.7	$13,069.9
Interest and discount	6,641.9	6,118.3	6,188.5
Other expenses	5,670.1	5,829.2	5,696.3
Total Expenses	12,312.0	11,947.5	11,884.8
Separate Consolidated Net Income	$ 1,187.6	$ 1,453.2	$ 1,185.1
Dividends paid to GM	$ 1,000.0	$ 900.0	—

NOTE 13. Real Estate, Plants and Equipment and Accumulated Depreciation

(Dollars in Millions)	**1988**	**1987**
Real estate, plants and equipment (Note 14):		
Land	$ 627.1	$ 590.9
Land improvements	1,687.9	1,640.0
Leasehold improvements—less amortization	183.1	182.3
Buildings	12,184.9	11,978.0
Machinery and equipment	39,970.8	39,453.7
Furniture and office equipment	2,717.6	2,426.8
Satellites and related facilities	336.0	297.3
Capitalized leases	1,045.3	1,121.2
Construction in progress	2,057.9	2,273.3
Total	$60,810.6	$59,963.5
Accumulated depreciation:		
Land improvements	$ 942.6	$ 928.6
Buildings	5,583.8	5,467.5
Machinery and equipment	23,970.5	22,784.7
Furniture and office equipment	1,586.5	1,208.1
Satellites and related facilities	150.6	98.4
Capitalized leases	564.8	545.8
Total	$32,798.8	$31,033.1

Foreign currency translation adjustments had the effect of decreasing gross property by $908.3 million in 1988 and decreasing net property by $436.1 million.

The gross book value of equipment on operating leases was $8,491.0 million at the end of 1988 and $9,037.0 million at the end of 1987. The accumulated depreciation for equipment on operating leases was $3,485.9 million at the end of 1988 and $3,478.8 million at the end of 1987.

The lease payments applicable to equipment on operating leases maturing in each of the five years following December 31, 1988 are as follows: 1989—$1,729.8 million; 1990—$1,213.8 million; 1991—$624.8 million; 1992—$203.0 million; and 1993—$10.3 million.

NOTE 14. Notes and Loans Payable

(Dollars in Millions)	**Weighted Average Interest Rate**	**1988**	**1987**
Notes, loans and debentures:			
Payable within one year	Various	$56,516.1	$53,872.8
Payable beyond one year:			
U.S. Dollars:			
1989	—	—	7,609.4
1990	8.1%	6,888.9	5,160.0
1991	9.7%	5,207.8	3,992.9
1992	9.2%	3,852.7	3,196.1
1993	8.3%	2,819.7	2,307.9
1994 and after	9.1%	7,849.4	7,925.6
Other currencies	Various	6,305.9	5,921.6
Subordinated indebtedness	Various	207.0	406.3
Unamortized discount		(1,517.4)	(1,699.2)
Total		$88,130.1	$88,693.4

The Corporation and its subsidiaries maintain bank lines of credit that are supported by bank commitment fees and compensating balances against certain lines of credit under agreements with banks in the United States. Compensating balances which are not subject to withdrawal restrictions are maintained at a level required to provide the same income that a fee would generate. Commitment fees incurred by the Corporation amounted to $22.5 million in 1988, $18.3 million in 1987 and $13.7 million in 1986. Compensating balances maintained by the Corporation averaged $102.7 million for 1988 and $208.3 million for 1987.

At December 31, 1988, the Corporation and its subsidiaries had unused short-term credit lines of approximately $18.8 billion and unused long-term credit agreements of approximately $0.9 billion.

(continued)

NOTE 14. (concluded)

Short-term borrowings are primarily entered into by GMAC. Commercial paper is offered in the United States, Canada and Europe in varying terms ranging up to 270 days. The weighted average interest rates on commercial paper at December 31, 1988, 1987 and 1986 were 9.22%, 7.68% and 8.02%, respectively. Master notes represent borrowings on a demand basis arranged generally under agreements with trust departments of certain banks. The weighted average interest rates on master notes at December 31, 1988, 1987 and 1986 were 9.14%, 7.09% and 7.19%, respectively. Commercial paper and master note obligations were $34,573.2 million and $4,751.8 million, respectively, at December 31, 1988 and $33,320.8 million and $4,868.7 million, respectively, at December 31, 1987.

Short-term borrowing amounts during the years shown were as follows:

(Dollars in Millions)	1988	1987	1986
Maximum amount outstanding at any month-end	$47,376.5	$46,806.9	$48,344.4
Average borrowings during the year	$44,304.6	$45,819.3	$44,320.5
Weighted average short-term interest rates*	7.67%	6.99%	7.29%
Weighted average commercial paper rates**	7.66%	6.78%	6.97%

*Based on the approximate average aggregate amount outstanding during the year and the cost of borrowings.

**Rates have been determined by relating commercial paper costs for each year to the daily average dollar amounts outstanding.

In 1981, the Corporation and a subsidiary arranged a private financing of $500 million in 14.7% notes due 1991. An option to acquire certain real estate in 1991 was also granted. The option holder may deliver the notes in payment for the real estate.

Total interest cost incurred in 1988, 1987 and 1986 amounted to $7,297.8 million, $7,177.9 million and $6,996.4 million, respectively, of which $64.9 million, $97.5 million and $183.3 million, related to certain real estate, plants and equipment acquired in those years, was capitalized.

NOTE 15. Other Liabilities

(Dollars in Millions)	1988	1987
Taxes, other than income taxes	$ 2,144.4	$ 2,147.5
Payrolls	1,955.6	2,245.0
Employe benefits	2,120.1	1,532.2
Dealer and customer allowances, claims, discounts, warranties, etc.	7,561.7	6,507.2
Interest	1,255.4	1,414.5
Other	10,483.4	11,719.3
Total	$25,520.6	$25,565.7

NOTE 16. $1-2/3 Par Value Common Stock Split

On February 6, 1989, the Board of Directors declared a two-for-one stock split in the form of a 100% stock dividend for $1-2/3 par value common stock, payable March 31, 1989 to shareholders of record on February 17, 1989. At delivery, the balance sheet will be adjusted for the stock split by increasing $1-2/3 par value common stock and reducing capital surplus by approximately $511.8 million. All per share data have been adjusted for the stock split.

NOTE 17. Stockholders' Equity

The preferred stock is subject to redemption at the option of the Board of Directors on any dividend date on not less than thirty days' notice at the redemption prices stated in the table on the following page plus accrued dividends.

On September 14, 1987, 19,573,836 shares of $0.10 par value convertible, non-voting preference stock, valued at $1,039.9 million, were contributed to GM's U.S. pension plans for hourly-rate and salaried employes with respect to the 1986 plan year. The contribution consisted of six separate series of 3,262,306 shares each: (1) Series E-I, E-II and E-III shares will pay dividends equivalent to the dividends declared and paid on Class E common stock and are convertible on a one-for-one fixed basis into Class E common shares three, four and five years after issuance, respectively; and (2) Series H-I, H-II and H-III shares will pay dividends equivalent to twice the dividends declared and paid on Class H common stock and are convertible on a one-for-two fixed basis into Class H common shares three, four and five years after issuance, respectively.

Holders of the preference shares will be able to elect to require GM to redeem the shares at the following prices on the following dates:

Preference Stock Series	Redemption Price	Redemption Date
	($ Per Share)	
E-I	57.25	October 1, 1990
E-II	62.00	September 15, 1991
E-III	67.25	September 15, 1992
H-I	63.50	October 1, 1990
H-II	69.00	September 15, 1991
H-III	74.75	September 15, 1992

The redemption prices indicated above represent the liquidation values of such shares.

On or after each series' redemption date, quarterly preferential dividends will be payable of $0.715 per share on Series E shares and $0.795 per share on Series H shares. After September 15, 1993, any or all of the preference shares not converted could be redeemed by GM at its option at the applicable redemption prices, although preference shareholders will first have the right to convert if GM exercises its redemption option.

Holders of $1-2/3 par value common stock, Class E common stock and Class H common stock are entitled to one, one-half and one-half vote per share (post-split), respectively, on all matters submitted to the stockholders for a vote. The liquidation rights of common stockholders are based on per share liquidation units of the various classes and are subject to certain adjustments if outstanding common stock is subdivided,

(continued)

NOTE 17. (continued)

by stock split or otherwise, or if shares of one class of common stock are issued as a dividend to holders of another class of common stock. At December 31, 1988 (on a post-split basis), each share of $1-2/3 par value common, Class E common and Class H common stock was entitled to a liquidation unit of approximately one, one-half and one-half, respectively.

In December 1986, the Corporation reacquired 11,791,790 shares of Class E common stock and related contingent notes issued in the EDS acquisition from certain employes and former stockholders of EDS for $751.5 million, including $389.1 million, or $33 per share, attributable to Class E common stock and $343.2 million attributable to contingent notes.

After December 31, 1994 or December 31, 1995, the Board of Directors may exchange $1-2/3 par value common stock for Class E common stock or for Class H common stock, respectively, if the Board has declared and paid certain minimum cash dividends during each of the five years preceding the exchange. If GM should sell, liquidate, or otherwise dispose of substantially all of EDS, Hughes or the other business of GMHE, the Corporation will be required to exchange $1-2/3 par value common stock for Class E common or Class H common stock, respectively. In the event of any exchange, the Class E common or Class H common stockholders will receive $1-2/3 par value common stock having a market value at the time of the exchange equal to 120% of the market value of the Class E common or Class H common stock exchanged.

The Certificate of Incorporation provides that no cash dividends may be paid on the $1-2/3 par value common stock, Class E common stock, Class H common stock or any series of preference stock so long as current assets (excluding prepaid expenses) in excess of current liabilities of the Corporation are less than $75 per share of outstanding preferred stock. Such current assets (with inventories calculated on the FIFO basis) in excess of current liabilities were greater than $75 in respect of each share of outstanding preferred stock at December 31, 1988 and 1987.

The equity of the Corporation and its subsidiaries in the accumulated net income or loss, since acquisition, of associates has been included in net income retained for use in the business.

At December 31, 1988, consolidated net income retained for use in the business attributable to $1-2/3 par value common, Class E common and Class H common stocks was $28,002.8 million, $443.4 million and $524.3 million, respectively.

(Dollars in Millions Except Per Share Amounts)	1988	1987	1986
Capital Stock:			
Preferred Stock, without par value, cumulative dividends (authorized, 6,000,000 shares):			
$5.00 series, stated value $100 per share, redeemable at Corporation option at $120 per share:			
Outstanding at beginning of the year (1,530,194 shares in 1988 and 1987 and 1,693,294 in 1986)	$153.0	$153.0	$169.3
Reacquired on the open market (163,100 shares)	—	—	(16.3)
Outstanding at end of the year (1,530,194 shares in 1988, 1987 and 1986)	153.0	153.0	153.0
$3.75 series, stated value $100 per share, redeemable at Corporation option at $100 per share: Outstanding at beginning and end of the year (814,100 shares)	81.4	81.4	81.4
Preference Stock, $0.10 par value (authorized, 100,000,000 shares):			
E series, convertible one-for-one at fixed dates into Class E common stock: Issued in conjunction with pension plan contribution (9,786,918 shares issued and outstanding)	1.0	1.0	—
H series, convertible one-for-two at fixed dates into Class H common stock: Issued in conjunction with pension plan contribution (9,786,918 shares issued and outstanding)	1.0	1.0	—
Common Stock, $1-2/3 par value (authorized, 1,000,000,000 shares):			
Issued at beginning of the year (312,654,018 shares in 1988, 319,383,830 in 1987 and 318,853,315 in 1986)	521.1	532.3	531.4
Reacquired on the open market (6,555,000 shares in 1988, 8,049,495 in 1987 and 761,390 in 1986)	(11.0)	(13.4)	(1.3)
Newly issued shares sold under provisions of the GM Incentive Program (Note 3), the Dividend Reinvestment Plan in 1987 and 1986 and used for bonus deliveries in 1986 (357,653 shares in 1988, 1,319,683 in 1987 and 1,291,905 in 1986)	.6	2.2	2.2
Issued at end of the year (306,456,671 shares in 1988, 312,654,018 in 1987 and 319,383,830 in 1986)	510.7	521.1	532.3
Class E Common Stock, $0.10 par value (authorized, 190,000,000 shares):			
Issued at beginning of the year (51,601,687 shares in 1988, 53,507,119 in 1987 and 66,227,137 in 1986)	5.2	5.4	6.6
Reacquired from certain employes and former stockholders of EDS (11,791,790 shares)	—	—	(1.2)
Issued in the acquisition of MTech Corp (3,266,284 shares)	.3	—	—
Issued in the acquisition of M&SD Corp. (703,200 shares)	.1	—	—
Reacquired on the open market (5,819,978 shares in 1988, 3,381,258 in 1987 and 2,417,206 in 1986)	(.6)	(.3)	(.2)
Issued in conjunction with EDS Incentive Plans (Note 4) and other employe stock plans (895,410 shares in 1988, 1,475,826 in 1987 and 1,488,978 in 1986)	.1	.1	.2
Issued at end of the year (50,646,603 shares in 1988, 51,601,687 in 1987 and 53,507,119 in 1986)	$ 5.1	$ 5.2	$ 5.4

(continued)

NOTE 17. (concluded)

(Dollars in Millions Except Per Share Amounts)	1988	1987	1986
Capital Stock (concluded):			
Class H Common Stock, $0.10 par value (authorized, 600,000,000 shares):			
Issued at beginning of the year (65,434,936 shares in 1988, 66,585,332 in 1987 and 65,495,316 in 1986)	$ 6.5	$ 6.6	$ 6.6
Issued in conjunction with GMHE Incentive Plans (Note 5) and other employe stock plans (2,052,212 shares in 1988, 574,783 in 1987 and 4,156,598 in 1986)	.2	.1	.3
Two-for-one stock split in the form of a 100% stock dividend (65,653,841 shares)	6.6	—	—
Reacquired on the open market (4,752,020 shares in 1988, 1,725,179 in 1987 and 3,066,582 in 1986)	(.5)	(.2)	(.3)
Issued at end of the year (128,388,969 shares in 1988, 65,434,936 in 1987 and 66,585,332 in 1986)	12.8	6.5	6.6
Total capital stock at end of the year	765.0	769.2	778.7
Capital Surplus (principally additional paid-in capital):			
Balance at beginning of the year	6,764.6	6,332.6	6,667.8
Preferred stock:			
Stated value in excess of repurchase price of shares reacquired on the open market	—	—	6.2
Preference stock:			
Amount in excess of par value of shares contributed to GM's U.S. pension plans	—	1,037.9	—
$1-2/3 par value common stock:			
Repurchase price in excess of par value of shares reacquired on the open market	(484.5)	(575.1)	(52.1)
Proceeds in excess of par value of newly issued shares used for the GM Incentive Program and the Dividend Reinvestment Plan	36.7	71.6	89.5
Class E common stock:			
Repurchase price in excess of par value:			
Shares reacquired from certain employes and former stockholders of EDS	—	—	(387.9)
Shares reacquired on the open market	(199.7)	(101.5)	(92.0)
Amounts in excess of par value:			
Issued in the acquisition of MTech Corp and M&SD Corp.	165.0	—	—
Issued in conjunction with EDS Incentive Plans and other employe stock plans	32.0	49.7	68.6
Class H common stock:			
Repurchase price in excess of par value of shares reacquired on the open market	(134.4)	(77.3)	(134.3)
Amounts in excess of par value of shares issued in conjunction with GMHE Incentive Plans and other employe stock plans	62.1	26.7	166.8
Amount transferred to Class H common stock in conjunction with two-for-one stock split in the form of a 100% stock dividend	(6.6)	—	—
Balance at end of the year	6,235.2	6,764.6	6,332.6
Net Income Retained for Use in the Business:			
Balance at beginning of the year	25,771.7	23,888.7	22,606.6
Net income	4,856.3	3,550.9	2,944.7
Total	30,628.0	27,439.6	25,551.3
Dividend of one Class H common share for each 20 shares of $1-2/3 par value common outstanding	—	—	(.5)
Cash dividends:			
Preferred stock, $5.00 series, $5.00 per share	7.7	7.7	7.8
Preferred stock, $3.75 series, $3.75 per share	3.0	3.0	3.0
Preference stock, E series, $0.68 per share in 1988 and $0.13 in 1987	6.7	1.3	—
Preference stock, H series, $0.88 per share in 1988 and $0.18 in 1987	8.6	1.7	—
$1-2/3 par value common stock, $2.50 per share in 1988, 1987 and 1986 (on a post-split basis)	1,540.5	1,579.6	1,588.0
Class E common stock, $0.68 per share in 1988, $0.52 in 1987 and $0.40 in 1986	34.8	27.4	25.9
Class H common stock, $0.44 per share in 1988, $0.36 in 1987 and $0.30 in 1986	56.2	47.2	38.4
Total cash dividends	1,657.5	1,667.9	1,663.1
Balance at end of the year	28,970.5	25,771.7	23,888.7
Accumulated Foreign Currency Translation and Other Adjustments:			
Balance at beginning of the year:			
Accumulated foreign currency translation adjustments	(231.7)	(482.8)	(675.0)
Net unrealized gains on marketable equity securities	151.3	160.8	130.0
Changes during the year:			
Accumulated foreign currency translation adjustments	(228.2)	251.1	192.2
Net unrealized gains (losses) on marketable equity securities	9.6	(9.5)	30.8
Balance at end of the year	(299.0)	(80.4)	(322.0)
Total Stockholders' Equity	$35,671.7	$33,225.1	$30,678.0

NOTE 18. Profit Sharing Plans

In 1988, the profit sharing formula was changed to provide a payout when the Corporation's U.S. income before income taxes plus equity in U.S. earnings of finance subsidiaries exceeds a minimum annual return equal to 1.8% of U.S. sales and revenues. Specified percentages of profits, ranging from 7.5% to 16.0%, in excess of the minimum annual return equal to 1.8% through 6.9% of U.S. sales and revenues, less that portion of profit sharing allocable to nonparticipating employes, are distributed to eligible U.S. employes. The accrual for profit sharing was $114.1 million in 1988. GM's earnings in 1987 and 1986 were not sufficient to generate a payment under the prior profit sharing formula.

NOTE 19. Segment Reporting

Industry Segments

While the major portion of the Corporation's operations is derived from the automotive products industry segment, GM also has financing and insurance operations and produces products and provides services in other industry segments. The automotive products segment consists of the design, manufacture, assembly and sale of automobiles, trucks and related parts and accessories. The financing and insurance operations assist in the merchandising of General Motors' products as well as other products. GMAC and its subsidiaries, as well as certain other subsidiaries of GM, offer financial services and certain types of insurance to dealers and customers. In addition, subsidiaries of GMAC are engaged in mortgage banking operations. The other products segment consists of military vehicles, radar and weapon control systems, guided missile systems, and defense satellites; the design, installation and operation of business information and telecommunication systems; as well as the design, development and manufacture of locomotives; engines for drilling, marine and stationary applications; commercial satellites; and specialized automated production and test equipment. Because of the high degree of integration, substantial interdivisional and intersegment transfers of materials and services are made. Intersegment sales and revenues are made at negotiated selling prices.

Substantially all of the products in the automotive segment are marketed through retail dealers and through distributors and jobbers in the United States and Canada and through distributors and dealers overseas.

Information concerning operations by industry segment is displayed below and on the next page.

1988	Automotive Products	Financing & Insurance Operations	Other Products	Total
		(Dollars in Millions)		
Net Sales and Revenues:				
Outside	$97,437.5	$10,664.9	$12,285.3	$120,387.7
Intersegment	339.6	3.0	2,866.6	—
Total net sales and revenues	$97,777.1	$10,667.9	$15,151.9	$120,387.7*
Operating Profit	$ 5,614.5	N/A**	$ 175.7	$ 5,790.2**
Identifiable Assets at Year-End	$60,420.4	$84,444.8	$16,553.1	$161,418.3
Depreciation and Amortization	$ 4,050.6	$ 1,585.5	$ 1,444.9	$ 7,081.0
Capital Expenditures	$ 4,524.6	$ 127.4	$ 974.5	$ 5,626.5
1987				
Net Sales and Revenues:				
Outside	$89,612.6	$10,920.8	$11,744.9	$112,278.3
Intersegment	278.0	7.3	2,870.7	—
Total net sales and revenues	$89,890.6	$10,928.1	$14,615.6	$112,278.3*
Operating Profit	$ 3,379.9	N/A**	$ 420.2	$ 3,800.1**
Identifiable Assets at Year-End	$60,159.5	$84,713.0	$16,305.9	$161,178.4
Depreciation and Amortization* **	$ 4,695.3	$ 1,669.0	$ 1,462.6	$ 7,826.9
Capital Expenditures	$ 6,127.9	$ 111.3	$ 911.4	$ 7,150.6

Reference should be made to notes on page 43.

(continued)

NOTE 19. (continued)

1986	Automotive Products	Financing & Insurance Operations	Other Products	Total
		(Dollars in Millions)		
Net Sales and Revenues:				
Outside	$90,210.7	$11,320.2	$11,894.3	$113,425.2
Intersegment	652.9	13.5	3,360.9	—
Total net sales and revenues	$90,863.6	$11,333.7	$15,255.2	$113,425.2*
Operating Profit	$ 2,014.3****	N/A**	$ 431.6	$ 2,445.9**
Identifiable Assets at Year-End	$46,708.0	$85,462.7	$15,488.6	$147,659.3
Depreciation and Amortization	$ 5,188.9	$ 1,976.3	$ 1,449.2	$ 8,614.4
Capital Expenditures	$10,217.0	$ 113.5	$ 1,454.3	$ 11,784.8

*After elimination of intersegment transactions.
**Excludes Financing and Insurance Operations as they do not report Operating Profit.
***Includes a revision to estimated service lives of plants and equipment and special tools of $1,661.1 million.
****Includes a special provision for scheduled plant closings and other restructurings of $1,287.6 million.

A reconciliation of outside net sales and revenues to Total Net Sales and Revenues and of operating profit to Income before Income Taxes detailed in the Statement of Consolidated Income and a reconciliation of identifiable assets to the asset total displayed in the Consolidated Balance Sheet follow:

(Dollars in Millions)	1988	1987	1986
Outside Net Sales and Revenues reported above	$120,387.7	$112,278.3	$113,425.2
Other Income	3,253.9	2,592.1	2,184.7
Total Net Sales and Revenues	$123,641.6	$114,870.4	$115,609.9
Total Operating Profit reported above	$ 5,790.2	$ 3,800.1	$ 2,445.9
Financing and Insurance Operations	1,802.8	2,386.6	2,124.2
Other Corporate Income and Expenses Less Intersegment Transactions	(858.1)	(1,778.2)	(1,014.3)
Income before Income Taxes	$ 6,734.9	$ 4,408.5	$ 3,555.8
Identifiable Assets	$161,418.3	$161,178.4	$147,659.3
Corporate Assets	6,512.5	4,231.1	4,393.9
Eliminations	(3,867.7)	(3,066.3)	(1,896.1)
Total Assets	$164,063.1	$162,343.2	$150,157.1

Geographic Segments

Net sales and revenues, net income (loss), total and net assets and average number of employes in the U.S. and in locations outside the U.S. are summarized below. Net income (loss) is after provisions for deferred income taxes applicable to that portion of the undistributed earnings not deemed to be indefinitely invested, less available tax credits and deductions, and appropriate consolidating adjustments. Interarea sales and revenues are made at negotiated selling prices.

1988	United States	Canada	Europe	Latin America	All Other	Total*
			(Dollars in Millions)			
Net Sales and Revenues:						
Outside (excluding GMAC)	$ 82,434.9	$ 6,534.8	$16,283.9	$2,433.4	$2,035.8	$109,722.8
GMAC and related operations	8,825.0	673.0	913.9	85.0	168.0	10,664.9
Subtotal outside	91,259.9	7,207.8	17,197.8	2,518.4	2,203.8	120,387.7
Interarea	9,392.2	9,195.9	415.3	1,407.6	43.4	—
Total net sales and revenues	$100,652.1	$16,403.7	$17,613.1	$3,926.0	$2,247.2	$120,387.7
Net Income	$ 1,752.0	$ 396.3	$ 1,809.8	$ 562.7	$ 301.2	$ 4,856.3
Total Assets	$130,797.5	$11,054.7	$15,699.2	$4,278.9	$3,390.7	$164,063.1
Net Assets	$ 25,797.0	$ 2,858.1	$ 2,865.2	$2,952.9	$1,291.1	$ 35,671.7
Average Number of Employes (in thousands)	538	39	112	62	15	766

*After elimination of interarea transactions.

(continued)

NOTE 19. (concluded)

1987	United States	Canada	Europe	Latin America	All Other	Total*
			(Dollars in Millions)			
Net Sales and Revenues:						
Outside (excluding GMAC)	$ 77,266.2	$ 5,791.3	$14,476.6	$1,904.0	$1,919.4	$101,357.5
GMAC and related operations	9,414.5	533.2	788.5	50.0	134.6	10,920.8
Subtotal outside	86,680.7	6,324.5	15,265.1	1,954.0	2,054.0	112,278.3
Interarea	8,731.3	6,978.9	305.5	958.5	166.1	—
Total net sales and revenues	$ 95,412.0	$13,303.4	$15,570.6	$2,912.5	$2,220.1	$112,278.3
Net Income	$ 1,702.2	$ 42.9	$ 1,255.4	$ 445.0	$ 175.9	$ 3,550.9
Total Assets	$131,059.1	$ 9,838.4	$15,625.2	$3,612.7	$3,342.7	$162,343.2
Net Assets	$ 26,327.1	$ 2,463.6	$ 1,280.5	$2,462.2	$ 913.5	$ 33,225.1
Average Number of Employes (in thousands)	583	41	118	57	14	813
1986						
Net Sales and Revenues:						
Outside (excluding GMAC)	$ 82,268.3	$ 5,600.1	$10,675.8	$1,798.7	$1,762.1	$102,105.0
GMAC and related operations	10,076.5	436.1	636.4	65.1	106.1	11,320.2
Subtotal outside	92,344.8	6,036.2	11,312.2	1,863.8	1,868.2	113,425.2
Interarea	8,366.1	7,817.4	462.2	899.2	59.7	—
Total net sales and revenues	$100,710.9	$13,853.6	$11,774.4	$2,763.0	$1,927.9	$113,425.2
Net Income (Loss)	$ 3,058.0	$ 381.9	($ 343.3)**	$ 32.6	($ 257.5)	$ 2,944.7
Total Assets	$126,280.6	$ 7,539.5	$11,411.5	$3,557.4	$2,563.5	$150,157.1
Net Assets	$ 26,428.4	$ 2,360.8	($ 460.8)	$1,975.6	$ 517.4	$ 30,678.0
Average Number of Employes (in thousands)	633	43	123	59	19	877

*After elimination of interarea transactions.

**Includes the effect of the termination of the heavy-duty truck portion of GM's European commercial vehicle operations.

NOTE 20. Commitments and Contingent Liabilities

Minimum future commitments under operating leases having noncancellable lease terms in excess of one year, primarily for real property, aggregating $4,007.4 million, are payable $666.7 million in 1989, $478.6 million in 1990, $329.5 million in 1991, $273.5 million in 1992, $232.0 million in 1993 and $2,027.1 million thereafter. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were $879.6 million in 1988, $913.6 million in 1987 and $882.4 million in 1986.

The Corporation and its subsidiaries are subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against them. Some of the pending actions purport to be class actions. The aggregate ultimate liability of the Corporation and its subsidiaries under these government regulations, and under these claims and actions, was not determinable at December 31, 1988. In the opinion of management, such liability is not expected to have a material adverse effect on the Corporation's consolidated financial position.

SUPPLEMENTARY INFORMATION

Selected Quarterly Data	1988 Quarters				1987 Quarters			
(Dollars in Millions)	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Net sales and revenues	$29,811.1	$33,178.4	$28,221.3	$32,430.8	$29,306.4	$29,925.8	$25,970.8	$29,667.4
Income before income taxes	$ 1,191.9	$ 2,167.9	$ 1,070.1	$ 2,305.0	$ 1,312.1	$ 1,309.0	$ 811.9	$ 975.5
United States, foreign and other income taxes (credit)	324.0	661.2	210.9	906.7	389.6	328.7	(.4)	139.7
Income before cumulative effect of accounting change	867.9	1,506.7	859.2	1,398.3	922.5	980.3	812.3	835.8
Cumulative effect of accounting change	224.2	—	—	—	—	—	—	—
Net income	1,092.1	1,506.7	859.2	1,398.3	922.5	980.3	812.3	835.8
Dividends on preferred and preference stocks	6.5	6.5	6.5	6.5	2.7	2.6	2.8	5.6
Earnings on common stocks	$ 1,085.6	$ 1,500.2	$ 852.7	$ 1,391.8	$ 919.8	$ 977.7	$ 809.5	$ 830.2
Earnings attributable to:								
$1-2/3 par value common stock before cumulative effect of accounting change	$ 749.1	$ 1,395.5	$ 755.1	$ 1,295.3	$ 833.8	$ 888.1	$ 718.3	$ 738.7
Cumulative effect of accounting change	218.1	—	—	—	—	—	—	—
Net earnings attributable to $1-2/3 par value common stock	$ 967.2	$ 1,395.5	$ 755.1	$ 1,295.3	$ 833.8	$ 888.1	$ 718.3	$ 738.7
Class E common stock	$ 36.8	$ 40.5	$ 40.4	$ 42.6	$ 28.2	$ 31.3	$ 35.4	$ 44.2
Class H common stock before cumulative effect of accounting change	$ 75.5	$ 64.2	$ 57.2	$ 53.9	$ 57.8	$ 58.3	$ 55.8	$ 47.3
Cumulative effect of accounting change	6.1	—	—	—	—	—	—	—
Net earnings attributable to Class H common stock	$ 81.6	$ 64.2	$ 57.2	$ 53.9	$ 57.8	$ 58.3	$ 55.8	$ 47.3

Certain data have been restated to reflect the adoption in the fourth quarter of 1988 of Statement of Financial Accounting Standards No. 94, Consolidation of Majority-owned Subsidiaries.

Effective January 1, 1988, accounting procedures were changed to include in inventory certain manufacturing overhead costs previously charged directly to expense. The Corporation believes this change is preferable because it provides a better matching of costs with related revenues. The effective income tax rates for the 1988 quarters reflect the continuing amortization of investment tax credits earned in prior years and tax benefits related to the utilization of loss carryforwards at certain overseas operations. In addition, the effective income tax rate for the 1988 fourth quarter reflects a change in estimate related to taxes on foreign dividends.

In the third quarter of 1987, the Corporation revised the estimated service lives of its plants and equipment and special tools retroactive to January 1, 1987. These revisions, which were based on 1987 studies, recognized current estimates of service lives of the assets and had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $1.28 per share of $1-2/3 par value common stock (post split). The effective income tax rates and credits for the 1987 quarters reflect the reduced earnings, the continuing high level of amortization of investment tax credits earned in prior years and the tax benefits resulting from the utilization of loss carryforwards at certain foreign operations.

(continued)

Selected Quarterly Data (concluded)	**1988 Quarters**				**1987 Quarters**			
(Dollars in Millions Except Per Share Amounts)	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**
Average number of shares of common stocks outstanding (in millions):								
$1-2/3 par value common(a)	621.0	617.6	614.0	610.1	636.3	633.9	630.4	625.5
Class E common	50.4	51.5	51.4	50.2	53.2	53.1	52.5	51.7
Class H common	129.5	127.7	127.4	127.2	132.0	130.9	130.4	129.9
Earnings per share attributable to:								
$1-2/3 par value common stock before cumulative effect of accounting change(a)	$1.21	$2.26	$1.23	$2.12	$1.31	$1.40	$1.14	$1.18
Cumulative effect of accounting change(a)	0.35	—	—	—	—	—	—	—
Net earnings attributable to $1-2/3 par value common stock(a)	$1.56	$2.26	$1.23	$2.12	$1.31	$1.40	$1.14	$1.18
Class E common stock	$0.73	$0.78	$0.79	$0.85	$0.53	$0.59	$0.68	$0.85
Class H common stock before cumulative effect of accounting change	$0.58	$0.50	$0.45	$0.43	$0.44	$0.44	$0.43	$0.36
Cumulative effect of accounting change	0.05	—	—	—	—	—	—	—
Net earnings attributable to Class H common stock	$0.63	$0.50	$0.45	$0.43	$0.44	$0.44	$0.43	$0.36
Cash dividends per share of common stocks:								
$1-2/3 par value common(a)	$0.625	$0.625	$0.625	$0.625	$0.625	$0.625	$0.625	$0.625
Class E common	$0.17	$0.17	$0.17	$0.17	$0.13	$0.13	$0.13	$0.13
Class H common	$0.11	$0.11	$0.11	$0.11	$0.09	$0.09	$0.09	$0.09
Stock price range:								
$1-2/3 par value common(a)(b):								
High	$36.94	$40.56	$40.25	$44.06	$40.50	$46.19	$47.06	$42.13
Low	$30.00	$34.94	$35.56	$36.81	$33.13	$38.75	$40.00	$25.00
Class E common(c):								
High	$43.88	$44.88	$43.00	$44.88	$40.00	$45.38	$50.38	$51.00
Low	$33.50	$36.50	$37.50	$39.25	$24.00	$33.50	$38.38	$30.00
Class H common(d):								
High	$40.63	$35.25	$30.88	$30.63	$22.13	$24.69	$24.94	$25.25
Low	$24.13	$26.63	$28.00	$25.13	$19.44	$21.38	$23.63	$20.13

The separate effect of the third quarter 1987 revision in service lives on $1-2/3 par value common stock would have been (post-split): first quarter—$0.32, second quarter—$0.30, third quarter—$0.29, and fourth quarter—$0.37.

(a) Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 6, 1989, payable March 31, 1989.

(b) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. $1-2/3 par value common stock is also listed on the Midwest, Pacific and Philadelphia stock exchanges. As of December 31, 1988, there were 802,288 holders of record of $1-2/3 par value common stock.

(c) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. As of December 31, 1988, there were 423,481 holders of record of Class E common stock.

(d) The principal market is the New York Stock Exchange and prices are based on the Composite Tape. As of December 31, 1988, there were 488,701 holders of record of Class H common stock.

SUPPLEMENTARY INFORMATION *(continued)*

Selected Financial Data (Dollars in Millions Except Per Share Amounts)	**1988**	**1987**	**1986**	**1985**	**1984**
Net sales and revenues	$123,641.6	$114,870.4	$115,609.9	$106,655.8	$93,144.8
Earnings attributable to $1-2/3 par value common stock	$ 4,413.1	$ 3,178.9	$ 2,607.7	$ 3,883.6	$ 4,498.3
Cash dividends on $1-2/3 par value common stock	1,540.5	1,579.6	1,588.0	1,592.9	1,510.0
Dividend of Class E common shares	—	—	—	—	586.7
Dividend of Class H common shares	—	—	(0.5)	572.1	—
Net income retained in the year	$ 2,872.6	$ 1,599.3	$ 1,020.2	$ 1,718.6	$ 2,401.6
Earnings per share attributable to $1-2/3 par value common stock*	$7.17	$5.03	$4.11	$6.14	$7.14
Cash dividends per share of $1-2/3 par value common stock*	2.50	2.50	2.50	2.50	2.38
Per share dividend of Class E common shares*	—	—	—	—	0.95
Per share dividend of Class H common shares*	—	—	—	0.97	—
Net income per share retained in the year*	$4.67	$2.53	$1.61	$2.67	$3.81
Earnings attributable to Class E common stock (issued in 1984)	$ 160.3	$ 139.1	$ 136.2	$ 103.8	$ 5.7
Cash dividends on Class E common stock (issued in 1984)	34.8	27.4	25.9	12.4	1.2
Net income retained in the year	$ 125.5	$ 111.7	$ 110.3	$ 91.4	$ 4.5
Earnings per share attributable to Class E common stock	$3.15	$2.65	$2.13	$1.57	$0.16**
Cash dividends per share of Class E common stock	0.68	0.52	0.40	0.195	0.045**
Net income per share retained in the year	$2.47	$2.13	$1.73	$1.375	$0.115**
Earnings attributable to Class H common stock (issued in December 1985)	$ 256.9	$ 219.2	$ 190.0	—	—
Cash dividends on Class H common stock (issued in December 1985)	56.2	47.2	38.4	—	—
Net income retained in the year	$ 200.7	$ 172.0	$ 151.6	—	—
Earnings per share attributable to Class H common stock	$2.01	$1.67***	$1.48***	—	—
Cash dividends per share of Class H common stock	0.44	0.36***	0.30***	—	—
Net income per share retained in the year	$1.57	$1.31***	$1.18***	—	—
Average number of shares of common stocks outstanding (in millions):					
$1-2/3 par value common*	615.7	631.5	635.3	632.6	630.7
Class E common (issued in 1984)	50.9	52.6	63.8	66.5	36.3**
Class H common (issued in December 1985)	127.9	130.8***	127.8***	—	—
Cash dividends on capital stocks as a percent of net income	34.1%	47.0%	56.5%	40.4%	33.7%
Expenditures for real estate, plants and equipment	$ 3,432.1	$ 4,804.4	$ 8,159.5	$ 8,068.3****	$ 3,610.1
Expenditures for special tools	$ 2,194.4	$ 2,346.2	$ 3,625.3	$ 3,075.0	$ 2,452.1
Cash and marketable securities	$ 10,181.4	$ 7,819.3	$ 7,359.7	$ 7,924.9	$10,688.3
Working capital (with GMAC on an equity basis)	$ 16,476.7	$ 13,049.7	$ 3,920.3	$ 1,957.5	$ 6,276.7
Total assets	$164,063.1	$162,343.2	$150,157.1	$130,043.5	$98,414.9
Long-term debt and capitalized leases (with GMAC on an equity basis)	$ 4,535.7	$ 4,313.4	$ 4,325.3	$ 2,867.2	$ 2,772.9

Certain data have been restated to reflect the adoption of Statement of Financial Accounting Standards (SFAS) No. 94, Consolidation of Majority-owned Subsidiaries.

The revision in 1987 of estimated service lives of plants and equipment and special tools had the effect of reducing 1987 depreciation and amortization charges by $1,236.6 million or $1.28 per share of $1-2/3 par value common stock (post split). The revision in 1987 by GMAC of rates of depreciation for automobiles on operating leases to retail customers had the effect of reducing 1987 depreciation charges by $424.5 million or $0.41 per share of $1-2/3 par value common stock (post split). Financial data for years prior to 1986 have not been restated for the adoption effective January 1, 1986 of SFAS No. 87, Employers' Accounting for Pensions. The effect of adopting SFAS No. 87 was to increase net income for 1986 by $330.5 million or $0.48 per share of $1-2/3 par value common stock (post-split), $0.04 per share of Class E common stock and $0.17 per share of Class H common stock. Earnings and earnings per share attributable to common stocks in 1985 and 1984 have been restated to reflect the Class E common stock amendment approved by the stockholders in December 1985.

*Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 6, 1989, payable March 31, 1989.

**Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend distributed on June 10, 1985.

***Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend distributed on March 10, 1988.

****Includes $1,948.7 million of net property acquired in the Hughes acquisition.

Selected Financial Data (concluded) (Dollars in Millions Except Per Share Amounts)	**1983**	**1982**	**1981**	**1980**	**1979**
Net sales and revenues	$82,502.3	$67,747.7	$69,191.4	$62,698.0	$70,486.9
Earnings (loss) attributable to $1-2/3 par value common stock	$ 3,717.3	$ 949.8	$ 320.5	($ 775.4)	$ 2,879.8
Cash dividends on $1-2/3 par value common stock	879.3	737.3	717.6	861.2	1,520.3
Dividend of Class E common shares	–	–	–	–	–
Dividend of Class H common shares	–	–	–	–	–
Net income (loss) retained in the year	$ 2,838.0	$ 212.5	($ 397.1)	($ 1,636.6)	$ 1,359.5
Earnings (loss) per share attributable to $1-2/3 par value common stock*	$5.92	$1.55	$0.53	($1.32)	$5.02
Cash dividends per share of $1-2/3 par value common stock*	1.40	1.20	1.20	1.48	2.65
Per share dividend of Class E common shares	–	–	–	–	–
Per share dividend of Class H common shares	–	–	–	–	–
Net income (loss) per share retained in the year*	$4.52	$0.35	($0.67)	($2.80)	$2.37
Earnings attributable to Class E common stock (issued in 1984)	–	–	–	–	–
Cash dividends on Class E common stock (issued in 1984)	–	–	–	–	–
Net income retained in the year	–	–	–	–	–
Earnings per share attributable to Class E common stock	–	–	–	–	–.
Cash dividends per share of Class E common stock	–	–	–	–	–
Net income per share retained in the year	–	–	–	–	–
Earnings attributable to Class H common stock (issued in December 1985)	–	–	–	–	–
Cash dividends on Class H common stock (issued in December 1985)	–	–	–	–	–
Net income retained in the year	–	–	–	–	–
Earnings per share attributable to Class H common stock	–	–	–	–	–
Cash dividends per share of Class H common stock	–	–	–	–	–
Net income per share retained in the year	–	–	–	–	–
Average number of shares of common stocks outstanding (in millions):					
$1-2/3 par value common*	627.8	614.8	598.1	584.8	573.5
Class E common (issued in 1984)	–	–	–	–	–
Class H common (issued in December 1985)	–	–	–	–	–
Cash dividends on capital stocks as a percent of net income	23.9%	77.9%	219.1%	N.A.	53.0%
Expenditures for real estate, plants and equipment	$ 1,932.2	$ 3,619.8	$ 6,568.5	$ 5,173.7	$ 3,359.4
Expenditures for special tools	$ 2,083.7	$ 2,601.1	$ 3,178.1	$ 2,600.0	$ 2,015.0
Cash and marketable securities	$ 8,237.4	$ 4,815.4	$ 3,038.2	$ 5,195.2	$ 4,314.5
Working capital (with GMAC on an equity basis)	$ 5,890.8	$ 1,658.1	$ 1,158.8	$ 3,212.1	$ 6,751.0
Total assets	$89,458.0	$81,197.3	$76,798.8	$64,499.5	$60,173.0
Long-term debt and capitalized leases (with GMAC on an equity basis)	$ 3,521.8	$ 4,745.1	$ 4,044.0	$ 2,058.3	$ 1,030.8

*Adjusted to reflect the two-for-one stock split in the form of a 100% stock dividend declared February 6, 1989, payable March 31, 1989.

Data for years prior to 1983 have not been restated for the adoption of SFAS No. 52, Foreign Currency Translation. The effect of adopting SFAS No. 52 was to reduce net income for 1983 by about $422.5 million or $0.68 per share of $1-2/3 par value common stock (post-split).

OFFICERS

Roger B. Smith
Chairman and Chief Executive Officer

Robert C. Stempel
President and Chief Operating Officer

Donald J. Atwood*
Vice Chairman

EXECUTIVE VICE PRESIDENTS

William E. Hoglund
Automotive Components Group and Power Products and Defense Operations Group

Robert T. O'Connell
Finance Group, GMAC, and Chief Financial Officer

Lloyd E. Reuss
North American Automotive Operations

Robert J. Schultz**
Electronic Data Systems
GM Hughes Electronics
GM Technical Staffs Group

F. Alan Smith
Operating and Public Affairs Staffs Groups

John F. Smith, Jr.
International Operations

VICE PRESIDENTS AND GROUP EXECUTIVES

J. T. Battenberg, III
Buick, Oldsmobile, Cadillac Group

Edward P. Czapor
Quality and Reliability and Service Parts Operations Group

John D. Debbink
Power Products and Defense Operations Group

Gary W. Dickinson
Technical Staffs Group

Charles Katko
Operating Staffs Group

E. Michael Mutchler**
Chevrolet, Pontiac, GM of Canada Group

W. Blair Thompson
Automotive Components Group

Clifford J. Vaughan**
Truck and Bus Group

Marina v.N. Whitman
Public Affairs Staffs Group

LEADING THE GENERAL MOTORS TEAM are, from left: (seated) Roger B. Smith and Robert C. Stempel; (standing) John F. Smith, Jr., Robert J. Schultz, F. Alan Smith, William E. Hoglund, Robert T. O'Connell, and Lloyd E. Reuss.

VICE PRESIDENTS

Betsy Ancker-Johnson
Environmental Activities Staff

W. Gordon Binns, Jr.
Chief Investment Funds Officer

Barton Brown
Asian and Pacific Operations

Robert D. Burger
General Manager
Chevrolet Motor Division

David D. Campbell
Group Director—Operations
Chevrolet, Pontiac, GM of Canada Group

Lewis B. Campbell
Manager
Flint Automotive Division
Buick, Oldsmobile, Cadillac Group

Patrick J. Coletta
Group Director
Truck and Bus Operations

George C. Eads
Economics Staff and Chief Economist

Robert J. Eaton
President
General Motors Europe

Robert A. Frosch
Research Laboratories

John O. Grettenberger
General Manager
Cadillac Motor Car Division

Ronald H. Haas
Current Engineering and Manufacturing Services Staff

Donald E. Hackworth
Manager
Lansing Automotive Division
Buick, Oldsmobile, Cadillac Group

John W. Jarrell**
General Manager
Electro-Motive Division

James D. Johnston
Industry-Government Relations

Charles M. Jordan
Design Staff

William W. Lane
General Manager
Oldsmobile Division

Richard G. LeFauve
President
Saturn Corporation

J. Michael Losh
General Manager
Pontiac Motor Division

John W. McNulty
Public Relations Staff

Edward H. Mertz
General Manager
Buick Motor Division

John G. Middlebrook
Marketing and Product Planning Staff

Claude N. Moore
Customer Sales and Service Staff

Arvin F. Mueller
Group Director—Engineering
Chevrolet, Pontiac, GM of Canada Group

Richard F. O'Brien
Personnel Administration and Development Staff

Donald A. Pais
Materials Management Staff

George A. Peapples
President and General Manager
General Motors of Canada Ltd.

Harry J. Pearce
General Counsel

John E. Rhame
International Export, African, and Mideast Operations

Donald L. Runkle
Advanced Engineering Staff

Robert B. Stone
Latin American Operations and Managing Director
General Motors do Brasil S.A.

Alfred S. Warren, Jr.
Industrial Relations Staff

James F. Waters, Jr.#
Latin American Operations

Shirley Young
Consumer Market Development

Paul H. Zalecki
Office of the General Counsel and Secretary

STAFF OFFICERS

Leon J. Krain
Treasurer

John E. Mischi
Comptroller

*On unassigned status following nomination as Deputy Secretary of the U.S. Department of Defense.

**Effective February 6, 1989.
#Retired effective January 1, 1989.

BOARD OF DIRECTORS

Anne L. Armstrong
Chairman, President's Foreign Intelligence Advisory Board
Director—12 Years

Donald J. Atwood*
Vice Chairman, Board of Directors
Service—29 Years
Director—5 Years

James H. Evans
Retired Chairman of the Board, Union Pacific Corporation (Transportation, Energy, and Natural Resources)
Director—9 Years

Thomas E. Everhart
President, California Institute of Technology (Education)
Joined Board March 1989

Walter A. Fallon
Former Chairman of the Board, Eastman Kodak Company (Photographic Equipment, Chemicals, and Fibers)
Director—16 Years

Charles T. Fisher, III
Chairman and President, NBD Bancorp Inc. (Banking)
Director—17 Years

Marvin L. Goldberger
Director, The Institute for Advanced Study, Princeton, N.J. (Education)
Director—8 Years

John J. Horan
Former Chairman of the Board, Merck & Co., Inc. (Health Products)
Director—9 Years

Edmund T. Pratt, Jr.
Chairman of the Board, Pfizer Inc. (Pharmaceutical Products, Cosmetics, and Chemicals)
Director—12 Years

Lloyd E. Reuss
Executive Vice President, North American Automotive Operations
Service—31 Years
Director—3 Years

James D. Robinson, III
Chairman of the Board, American Express Company (Financial and Travel Services)
Director—3 Years

George P. Shultz**
Professor of International Economics, Graduate School of Business, Stanford University; Former U.S. Secretary of State
Rejoined Board March 1989

John G. Smale
Chairman of the Board, The Procter & Gamble Company (Household and Industrial Products)
Director—7 Years

F. Alan Smith
Executive Vice President, Operating and Public Affairs Staffs Groups
Service—33 Years
Director—8 Years

Roger B. Smith
Chairman, Board of Directors and Chief Executive Officer
Service—40 Years
Director—14 Years

Robert C. Stempel
President and Chief Operating Officer
Service—31 Years
Director—3 Years

Leon H. Sullivan
Pastor Emeritus, Zion Baptist Church of Philadelphia
Director—18 Years

Dennis Weatherstone
President, J. P. Morgan & Co. Incorporated (Banking)
Director—3 Years

Thomas H. Wyman
Former Chairman of the Board, CBS Inc. (Television, Radio, and Other Media)
Director—4 Years

*On unassigned status following nomination as Deputy Secretary of the U.S. Department of Defense.

**Joined Board in 1981; resigned in 1982 to serve as U.S. Secretary of State.

Committees of the Board

The Finance Committee
Roger B. Smith
Chairman
Donald J. Atwood
Walter A. Fallon
Charles T. Fisher, III
Edmund T. Pratt, Jr.
Lloyd E. Reuss
George P. Shultz
John G. Smale
F. Alan Smith
Robert C. Stempel
Dennis Weatherstone

The Executive Committee
Robert C. Stempel
Chairman
Donald J. Atwood
Lloyd E. Reuss
F. Alan Smith
Roger B. Smith

The Audit Committee
James H. Evans
Chairman
Anne L. Armstrong
Marvin L. Goldberger
John J. Horan
Leon H. Sullivan

The Nominating Committee
Charles T. Fisher, III
Chairman
Anne L. Armstrong
James H. Evans
Walter A. Fallon
John J. Horan

The Incentive and Compensation Committee
Walter A. Fallon
Chairman
Anne L. Armstrong
James H. Evans
Charles T. Fisher, III
Edmund T. Pratt, Jr.
John G. Smale
Thomas H. Wyman

The Public Policy Committee
John J. Horan
Chairman
Thomas E. Everhart
Marvin L. Goldberger
James D. Robinson, III
Leon H. Sullivan
Dennis Weatherstone

COMMON STOCK SYMBOLS

• $1-2/3 par value common.
Stock Symbol: GM

• Class E common.
Stock Symbol: GME

• Class H common.
Stock Symbol: GMH

STOCKHOLDER INFORMATION

The Annual Meeting of Stockholders will be held at 9:00 a.m. on Friday, May 19, 1989 in Detroit, Michigan.

Notice of the Annual Meeting, the Proxy Statement, and proxy will be mailed to stockholders.

Principal Offices

General Motors Corporation
(a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10153

Stock Transfer Offices

Morgan Shareholder Services
Trust Company
30 West Broadway
New York, New York 10007-2192
(212-587-6285)

National Trust Company Limited
21 King Street, East
Toronto, Ontario M5C 1B3, Canada

National Trust Company Limited
1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1, Canada

THE FOLLOWING MATERIALS ARE AVAILABLE FOR DISTRIBUTION TO STOCKHOLDERS:

S.E.C. Form 10-K

Stockholders may obtain a copy of the General Motors Corporation Annual Report to the Securities and Exchange Commission on Form 10-K after April 1, 1989.

1989 Public Interest Report

GM's 19th successive annual accounting of its programs, progress, and goals in various areas of public interest will be available in a booklet, "1989 General Motors Public Interest Report," after May 1, 1989.

Tape Recording of 1988 GM Annual Report

A cassette tape recording of major portions of the 1988 Annual Report will be available after April 1, 1989 at no charge for distribution to handicapped persons.

The Dividend Reinvestment Plan provides registered holders of $1-2/3 par value common stock with a simple and convenient method of reinvesting cash dividends and making optional cash investments in additional shares without a service charge. A prospectus and authorization card may be requested from the transfer agent's New York office or from GM at the address given for other materials.

Requests specifying the materials desired should be sent to:

General Motors Corporation
Room 10-262
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202
(313-556-2044)

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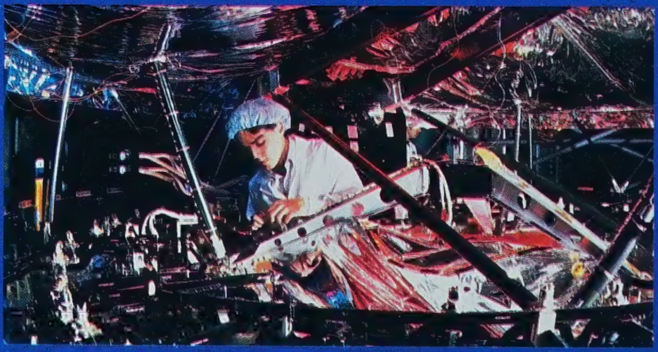
GM
MARK OF EXCELLENCE

ALLISON GAS TURBINE DIVISION The V-22 Osprey, powered by Allison Gas Turbine engines, should find wide applications in military and commercial aviation.



GM HUGHES ELECTRONICS A technician checks module for JCSAT 1, Japan's first commercial communications satellite which was built by Hughes.

ELECTRONIC DATA SYSTEMS An EDS team uses some of the world's most advanced computer equipment in a control room of an Information Processing Center.

LOCOMOTIVE GROUP The General Motors Locomotive Group was awarded 60 percent of the locomotive business in North America during 1988.